



ANNUAL STATEMENT

For the Year Ending December 31, 2005
of the Condition and Affairs of the

BLUE CROSS BLUE SHIELD OF MICHIGAN

NAIC Group Code.....572,
(Current Period) (Prior Period)

NAIC Company Code..... 54291

Employer's ID Number..... 38-2069753

Organized under the Laws of Michigan

State of Domicile or Port of Entry Michigan

Country of Domicile US

Licensed as Business Type.....

Is HMO Federally Qualified? Yes [] No [X]

Incorporated/Organized..... February 1, 1975

Commenced Business..... January 1, 1975

Statutory Home Office

600 Lafayette East... Detroit MI 48226
(Street and Number) (City, State and Zip Code)

Main Administrative Office

600 Lafayette East... Detroit MI 48226
(Street and Number) (City, State and Zip Code)

313-225-9000
(Area Code) (Telephone Number)

Mail Address

600 Lafayette East... Detroit MI 48226
(Street and Number or P. O. Box) (City, State and Zip Code)

Primary Location of Books and Records

600 Lafayette East... Detroit MI 48226
(Street and Number) (City, State and Zip Code)

313-225-9000
(Area Code) (Telephone Number)

Internet Website Address

http://bcbsm.com/

Statutory Statement Contact

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Policyowner Relations Contact

600 Lafayette East... Detroit MI 48226
(Street and Number) (City, State and Zip Code)

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(Area Code) (Telephone Number) (Extension)

OFFICERS

Name	Title	Name	Title
1. RICHARD E. WHITMER	President and CEO	2. MARK R. BARTLETT	Executive Vice President and CFO
3. CAROLYNN WALTON	Vice President and Treasurer	4.	
OTHER			
J. PAUL AUSTIN	Senior Vice President	LISA S. DEMOSS	General Counsel and Secretary
ELIZABETH R. HARR	Senior Vice President	GEORGE F. FRANCIS, III	Chief Administrative Officer
DANIEL J. LOEPP	EVP and CEO Designate	KEVIN L. SEITZ	Senior Vice President
WILLIAM P. SMITH	Chief Information Officer	LESLIE A. VIEGAS	Senior Vice President
THOMAS L. SIMMER	Chief Medical Officer	MICHAEL R. SCHWARTZ	Senior Vice President

DIRECTORS OR TRUSTEES

JAMES G. AGEE	JON E. BARFIELD	WILLIAM H. BLACK	ARLENE R. BRENNAN RN
TERRY BURNS	GERSON I. COOPER	PATRICK J. DEVLIN	MARK T. GAFFNEY
CHARLES M. GAYNEY	THOMAS J. HADRYCH	JOHN M. HAMILTON	TEOLA P. HUNTER
LILA R. JOHNSON	SPENCER C. JOHNSON	JOANNE LAFLECHE-GALLAGHER	MELVIN L. LARSEN
JOHN M. MACKEIGAN MD	GARY J. MCINERNEY	CULLAN F. MEATHE	LIVIO MEZZA
PETER T. MULLER MD	ROBERT A. PATZER	RENEE C. PIPIS	CALVIN T. RAPSON
JAMES W. RICHARDS RPH	IRIS K. SALTERS	JAMES U. SETTLES	RICHARD SHOEMAKER
DONALD E. STROUD DDS	GREGORY A. SUDDERTH	S. MARTIN TAYLOR	JOHN VANDER MOLEN
RICHARD E. WHITMER	L.L. "WOODY" WILLIAMS	LEWIN WYATT JR., DO	

State of....Michigan....
County of....Wayne.

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
RICHARD E. WHITMER	MARK R. BARTLETT	CAROLYNN WALTON
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President and CEO	Executive Vice President and CFO	Vice President and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me

a. Is this an original filing? Yes [X] No []

This day of

b. If no

1. State the amendment number

2. Date filed

3. Number of pages attached

BLUE CROSS BLUE SHIELD OF MICHIGAN
ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	2,554,819,960		2,554,819,960	2,331,668,806
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	1,701,479		1,701,479	
2.2 Common stocks.....	1,186,383,562	39,522,623	1,146,860,939	1,023,876,139
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	181,037,789		181,037,789	180,835,327
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....(141,334,595), Sch. E-Part 1), cash equivalents (\$.....127,826,750, Sch. E-Part 2) and short-term investments (\$.....457,974,989, Sch. DA).....	444,467,144		444,467,144	285,373,915
6. Contract loans (including \$.....0 premium notes).....			0	
7. Other invested assets (Schedule BA).....	33,996,506	8,665,924	25,330,582	32,104,093
8. Receivables for securities.....			0	
9. Aggregate write-ins for invested assets.....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	4,402,406,440	48,188,547	4,354,217,893	3,853,858,280
11. Title plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	26,008,942		26,008,942	18,928,897
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection.....	10,162,567		10,162,567	15,815,566
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
13.3 Accrued retrospective premiums.....	494,855	494,855	0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....			0	
14.2 Funds held by or deposited with reinsured companies.....			0	
14.3 Other amounts receivable under reinsurance contracts.....			0	
15. Amounts receivable relating to uninsured plans.....	81,751,000		81,751,000	84,181,623
16.1 Current federal and foreign income tax recoverable and interest thereon.....	6,387,874		6,387,874	7,027,737
16.2 Net deferred tax asset.....	113,907,502	57,423,618	56,483,884	48,225,175
17. Guaranty funds receivable or on deposit.....			0	
18. Electronic data processing equipment and software.....	75,798,520	50,864,535	24,933,985	12,602,819
19. Furniture and equipment, including health care delivery assets (\$.....0).....	11,859,014	11,859,014	0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....	27,743,245		27,743,245	17,224,736
22. Health care (\$.....79,668,390) and other amounts receivable.....	90,193,487	2,602,181	87,591,306	168,775,273
23. Aggregate write-ins for other than invested assets.....	273,239,403	102,431,121	170,808,282	80,171,622
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	5,119,952,849	273,863,871	4,846,088,978	4,306,811,728
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	5,119,952,849	273,863,871	4,846,088,978	4,306,811,728

DETAILS OF WRITE-INS				
0901.			0	
0902.			0	
0903.			0	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0	0
2301. Miscellaneous Accounts Receivable.....	4,279,882	4,279,882	0	
2302. Prepaid and Other Assets.....	2,260,649	2,260,649	0	
2303. Advances to Providers.....	142,114,700	33,221,809	108,892,891	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	124,584,172	62,668,781	61,915,391	80,171,622
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	273,239,403	102,431,121	170,808,282	80,171,622

BLUE CROSS BLUE SHIELD OF MICHIGAN
LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	547,749,237		547,749,237	568,211,728
2. Accrued medical incentive pool and bonus amounts.....	999,997		999,997	
3. Unpaid claims adjustment expenses.....	57,328,520		57,328,520	62,994,853
4. Aggregate health policy reserves.....	792,487,656		792,487,656	591,330,102
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....			0	
9. General expenses due or accrued.....	135,045,730		135,045,730	115,419,728
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....	12,958,355		12,958,355	54,316,118
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	
12. Amounts withheld or retained for the account of others.....	11,815,230		11,815,230	8,488,581
13. Remittances and items not allocated.....	11,164,451		11,164,451	
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....	13,053,194		13,053,194	14,795,558
16. Payable for securities.....	207,617,240		207,617,240	
17. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers).....			0	
18. Reinsurance in unauthorized companies.....			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
20. Liability for amounts held under uninsured accident and health plans.....	162,011,000		162,011,000	153,896,000
21. Aggregate write-ins for other liabilities (including \$.....0 current).....	432,837,499	0	432,837,499	493,651,348
22. Total liabilities (Lines 1 to 21).....	2,385,068,109	0	2,385,068,109	2,063,104,016
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX		
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX		
27. Surplus notes.....	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	2,461,020,869	2,243,707,712
30. Less treasury stock at cost:				
30.1 .....0.000 shares common (value included in Line 24 \$.....0).....	XXX	XXX		
30.2 .....0.000 shares preferred (value included in Line 25 \$.....0).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 28 minus Line 29).....	XXX	XXX	2,461,020,869	2,243,707,712
32. Total liabilities, capital and surplus (Lines 22 and 30).....	XXX	XXX	4,846,088,978	4,306,811,728

DETAILS OF WRITE-INS				
2101. Postretirement Liabilities.....	289,834,272		289,834,272	229,989,672
2102. Liability for Uncashed Checks.....	11,519,097		11,519,097	11,249,173
2103. Advances to Providers.....	121,497,562		121,497,562	200,308,268
2198. Summary of remaining write-ins for Line 21 from overflow page.....	9,986,568	0	9,986,568	52,104,235
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above).....	432,837,499	0	432,837,499	493,651,348
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page.....	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above).....	XXX	XXX	0	0

BLUE CROSS BLUE SHIELD OF MICHIGAN
STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX.....	30,862,149	31,590,818
2. Net premium income (including \$.....0 non-health premium income).....	XXX.....	5,614,912,576	5,497,184,314
3. Change in unearned premium reserves and reserve for rate credits.....	XXX.....	(91,757,554)	21,216,498
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX.....		
5. Risk revenue.....	XXX.....		
6. Aggregate write-ins for other health care related revenues.....	XXX.....	0	0
7. Aggregate write-ins for other non-health revenues.....	XXX.....	0	0
8. Total revenues (Lines 2 to 7).....	XXX.....	5,523,155,022	5,518,400,812
Hospital and Medical:			
9. Hospital/medical benefits.....		3,805,194,462	3,771,892,400
10. Other professional services.....		79,846,036	80,215,072
11. Outside referrals.....			
12. Emergency room and out-of-area.....			
13. Prescription drugs.....		871,019,234	889,659,669
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		7,964,529	
16. Subtotal (Lines 9 to 15).....	0	4,764,024,261	4,741,767,141
Less:			
17. Net reinsurance recoveries.....			
18. Total hospital and medical (Lines 16 minus 17).....	0	4,764,024,261	4,741,767,141
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$....45,938,185 cost containment expenses.....		162,363,543	146,094,381
21. General administrative expenses.....		382,867,090	334,178,455
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		109,400,000	127,500,000
23. Total underwriting deductions (Lines 18 through 22).....	0	5,418,654,894	5,349,539,977
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX.....	104,500,128	168,860,835
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		161,997,075	123,369,728
26. Net realized capital gains or (losses) less capital gains tax of \$....(4,039,098).....		(16,156,392)	46,214,654
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	145,840,683	169,584,382
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
29. Aggregate write-ins for other income or expenses.....	0	12,790,186	37,392,858
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX.....	263,130,997	375,838,075
31. Federal and foreign income taxes incurred.....	XXX.....	70,126,685	137,026,363
32. Net income (loss) (Lines 30 minus 31).....	XXX.....	193,004,312	238,811,712
DETAILS OF WRITE-INS			
0601.	XXX.....		
0602.	XXX.....		
0603.	XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX.....	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX.....	0	0
0701.	XXX.....		
0702.	XXX.....		
0703.	XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX.....	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX.....	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
2901. Miscellaneous Income.....		12,790,186	37,392,858
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	12,790,186	37,392,858

BLUE CROSS BLUE SHIELD OF MICHIGAN
STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	.....2,243,707,712	.....1,898,123,279
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32.....	.....193,004,312	.....238,811,712
35. Change in valuation basis of aggregate policy and claim reserves.....	.....	.....
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0.....	.....72,085,388	.....121,952,988
37. Change in net unrealized foreign exchange capital gain or (loss).....	.....	.....
38. Change in net deferred income tax.....	.....33,396,443	.....54,146,821
39. Change in nonadmitted assets.....	.....(81,172,986)	.....(48,352,325)
40. Change in unauthorized reinsurance.....	.....	.....
41. Change in treasury stock.....	.....	.....
42. Change in surplus notes.....	.....	.....
43. Cumulative effect of changes in accounting principles.....	.....	.....(20,974,763)
44. Capital changes:		
44.1 Paid in.....	.....	.....
44.2 Transferred from surplus (Stock Dividend).....	.....	.....
44.3 Transferred to surplus.....	.....	.....
45. Surplus adjustments:		
45.1 Paid in.....	.....	.....
45.2 Transferred to capital (Stock Dividend).....	.....	.....
45.3 Transferred from capital.....	.....	.....
46. Dividends to stockholders.....	.....	.....
47. Aggregate write-ins for gains or (losses) in surplus.....	.....0	.....0
48. Net change in capital and surplus (Lines 34 to 47).....	.....217,313,157	.....345,584,433
49. Capital and surplus end of reporting period (Line 33 plus 48).....	.....2,461,020,869	.....2,243,707,712

DETAILS OF WRITE-INS		
4701. ....	.....	.....
4702. ....	.....	.....
4703. ....	.....	.....
4798. Summary of remaining write-ins for Line 47 from overflow page.....	.....0	.....0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	.....0	.....0

BLUE CROSS BLUE SHIELD OF MICHIGAN
CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	5,629,377,720	5,618,171,180
2. Net investment income.....	153,133,368	120,568,334
3. Miscellaneous income.....	73,915,409	16,118,470
4. Total (Lines 1 through 3).....	5,856,426,497	5,754,857,984
5. Benefit and loss related payments.....	4,925,724,547	4,750,036,658
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	511,918,964	591,710,246
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) \$.....0 net of tax on capital gains (losses).....	119,103,314	141,137,566
10. Total (Lines 5 through 9).....	5,556,746,825	5,482,884,470
11. Net cash from operations (Line 4 minus Line 10).....	299,679,672	271,973,514
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	6,215,160,675	5,801,551,251
12.2 Stocks.....	95,290,240	124,396,182
12.3 Mortgage loans.....		
12.4 Real estate.....	1,151,280	8,822,528
12.5 Other invested assets.....		202,447,571
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	6,311,602,195	6,137,217,532
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	6,471,151,442	6,291,428,708
13.2 Stocks.....	128,989,652	94,749,874
13.3 Mortgage loans.....		
13.4 Real estate.....	20,909,936	6,628,297
13.5 Other invested assets.....	1,892,413	5,970,911
13.6 Miscellaneous applications.....	(207,617,240)	
13.7 Total investments acquired (Lines 13.1 to 13.6).....	6,415,326,203	6,398,777,790
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14).....	(103,724,008)	(261,560,258)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	(36,862,435)	90,365,858
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(36,862,435)	90,365,858
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	159,093,229	100,779,114
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	285,373,915	184,594,801
19.2 End of year (Line 18 plus Line 19.1).....	444,467,144	285,373,915
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001 .....	.....	.....

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (hospital and medical).....	4,934,384,402			4,934,384,402
2.	Medicare supplement.....	225,442,977			225,442,977
3.	Dental only.....	81,775,623			81,775,623
4.	Vision only.....	16,931,410			16,931,410
5.	Federal employees health benefits plan.....	227,347,847			227,347,847
6.	Title XVIII - Medicare.....	6,870,135			6,870,135
7.	Title XIX - Medicaid.....				0
8.	Stop loss.....	122,160,182			122,160,182
9.	Disability income.....				0
10.	Long-term care.....				0
11.	Other health.....				0
12.	Health subtotal (Lines 1 through 11).....	5,614,912,576	0	0	5,614,912,576
13.	Life.....				0
14.	Property/casualty.....				0
15.	Totals (Lines 12 to 14).....	5,614,912,576	0	0	5,614,912,576

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct.....	4,776,522,224	4,041,027,215	355,703,643	66,087,421	11,895,200	220,310,702	246,341		81,251,702				
1.2 Reinsurance assumed.....	0												
1.3 Reinsurance ceded.....	0												
1.4 Net.....	4,776,522,224	4,041,027,215	355,703,643	66,087,421	11,895,200	220,310,702	246,341	0	81,251,702	0	0	0	0
2. Paid medical incentive pools and bonuses.....	6,964,532	6,964,532											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct.....	547,749,237	430,904,321	57,035,853	3,119,699	749,128	28,182,757	6,015,482		21,741,997				
3.2 Reinsurance assumed.....	0												
3.3 Reinsurance ceded.....	0												
3.4 Net.....	547,749,237	430,904,321	57,035,853	3,119,699	749,128	28,182,757	6,015,482	0	21,741,997	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct.....	0												
4.2 Reinsurance assumed.....	0												
4.3 Reinsurance ceded.....	0												
4.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	999,997	999,997											
6. Net healthcare receivables (a).....	0												
7. Amounts recoverable from reinsurers December 31, current year.....	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct.....	568,211,729	444,209,121	59,018,514	3,985,325	784,670	36,967,141			23,246,958				
8.2 Reinsurance assumed.....	0												
8.3 Reinsurance ceded.....	0												
8.4 Net.....	568,211,729	444,209,121	59,018,514	3,985,325	784,670	36,967,141	0	0	23,246,958	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct.....	0												
9.2 Reinsurance assumed.....	0												
9.3 Reinsurance ceded.....	0												
9.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	0												
11. Amounts recoverable from reinsurers December 31, prior year.....	0												
12. Incurred benefits:													
12.1 Direct.....	4,756,059,732	4,027,722,415	353,720,982	65,221,795	11,859,658	211,526,318	6,261,823	0	79,746,741	0	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0	0	0	0
12.4 Net.....	4,756,059,732	4,027,722,415	353,720,982	65,221,795	11,859,658	211,526,318	6,261,823	0	79,746,741	0	0	0	0
13. Incurred medical incentive pools and bonuses.....	7,964,529	7,964,529	0	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in process of adjustment:													
1.1 Direct.....	25,854,768	20,099,637	2,498,521	190,751	817,120	1,234,578			1,014,161				
1.2 Reinsurance assumed.....	0												
1.3 Reinsurance ceded.....	0												
1.4 Net.....	25,854,768	20,099,637	2,498,521	190,751	817,120	1,234,578	0	0	1,014,161	0	0	0	0
2. Incurred but unreported:													
2.1 Direct.....	521,894,472	410,804,688	54,537,332	2,928,947	(67,992)	26,948,179	6,015,482		20,727,836				
2.2 Reinsurance assumed.....	0												
2.3 Reinsurance ceded.....	0												
2.4 Net.....	521,894,472	410,804,688	54,537,332	2,928,947	(67,992)	26,948,179	6,015,482	0	20,727,836	0	0	0	0
3. Amounts withheld from paid claims and capitations:													
3.1 Direct.....	0												
3.2 Reinsurance assumed.....	0												
3.3 Reinsurance ceded.....	0												
3.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Totals:													
4.1 Direct.....	547,749,240	430,904,325	57,035,853	3,119,698	749,128	28,182,757	6,015,482	0	21,741,997	0	0	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net.....	547,749,240	430,904,325	57,035,853	3,119,698	749,128	28,182,757	6,015,482	0	21,741,997	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical).....	376,664,181	3,664,363,033	5,081,241	425,823,081	381,745,422	444,209,121
2. Medicare supplement.....	45,082,005	310,621,638	1,170,425	55,865,428	46,252,430	59,018,514
3. Dental only.....	3,678,092	62,409,329	32,042	3,087,656	3,710,134	3,985,325
4. Vision only.....	840,928	11,054,272	2,648	746,480	843,576	784,670
5. Federal employees health benefits plan.....	23,038,359	197,272,343	1,393,889	26,788,868	24,432,248	36,967,142
6. Title XVIII - Medicare.....		246,341		6,015,482	0	
7. Title XIX - Medicaid.....					0	
8. Other health.....	533,472	80,718,230	2,884,045	18,857,952	3,417,517	23,246,958
9. Health subtotal (Lines 1 to 8).....	449,837,037	4,326,685,186	10,564,290	537,184,947	460,401,327	568,211,730
10. Healthcare receivables (a).....			1,787,445	77,880,945	1,787,445	86,777,754
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....		6,964,532		999,997	0	
13. Totals (Lines 9 - 10 + 11 + 12).....	449,837,037	4,333,649,718	8,776,845	460,303,999	458,613,882	481,433,976

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	507,965	13,003	1,087	860	
2. 2001.....	4,438,625	453,224	8,882	1,496	844
3. 2002.....	.XXX	4,185,474	475,774	6,870	1,518
4. 2003.....	.XXX	.XXX	4,289,193	447,442	4,954
5. 2004.....	.XXX	.XXX	.XXX	4,293,367	442,520
6. 2005.....	.XXX	.XXX	.XXX	.XXX	4,333,650

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	554,601	21,960	4,413		
2. 2001.....	3,561,048	498,868	60,418	12,154	975
3. 2002.....	.XXX	4,658,226	454,123	76,486	1,967
4. 2003.....	.XXX	.XXX	4,832,464	393,961	5,915
5. 2004.....	.XXX	.XXX	.XXX	4,852,569	481,420
6. 2005.....	.XXX	.XXX	.XXX	.XXX	4,273,748

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....	4,874,623	4,903,074	33,861	0.7	4,936,935	101.3			4,936,935	101.3
2. 2002.....	5,287,340	4,669,637	32,247	0.7	4,701,884	88.9	105	12	4,702,001	88.9
3. 2003.....	5,554,675	4,741,589	32,744	0.7	4,774,333	86.0	892	94	4,775,319	86.0
4. 2004.....	5,518,407	4,735,887	32,704	0.7	4,768,591	86.4	9,568	999	4,779,158	86.6
5. 2005.....	5,523,155	4,333,649	29,924	0.7	4,363,573	79.0	538,184	56,223	4,957,980	89.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	.....432,056	.....10,281	.....611	.....673	.....
2. 2001.....	.....2,573,744	.....393,280	.....6,096	.....1,126	.....638
3. 2002.....	.....XXX	.....3,692,470	.....401,308	.....3,565	.....1,244
4. 2003.....	.....XXX	.....XXX	.....3,766,782	.....370,089	.....3,565
5. 2004.....	.....XXX	.....XXX	.....XXX	.....3,696,773	.....371,217
6. 2005.....	.....XXX	.....XXX	.....XXX	.....XXX	.....3,671,329

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	.....477,250	.....18,449	.....3,474	.....	.....
2. 2001.....	.....3,048,742	.....425,043	.....52,017	.....11,563	.....760
3. 2002.....	.....XXX	.....4,123,870	.....377,008	.....67,818	.....1,650
4. 2003.....	.....XXX	.....XXX	.....4,197,610	.....311,797	.....4,165
5. 2004.....	.....XXX	.....XXX	.....XXX	.....4,142,179	.....403,392
6. 2005.....	.....XXX	.....XXX	.....XXX	.....XXX	.....3,625,720

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....	.....3,557,094	.....2,974,884	.....20,544	.....0.7	.....2,995,428	.....84.2	.....	.....	.....2,995,428	.....84.2
2. 2002.....	.....4,755,801	.....4,098,587	.....28,304	.....0.7	.....4,126,891	.....86.8	.....84	.....9	.....4,126,984	.....86.8
3. 2003.....	.....4,955,616	.....4,140,436	.....28,593	.....0.7	.....4,169,029	.....84.1	.....589	.....62	.....4,169,680	.....84.1
4. 2004.....	.....4,880,275	.....4,067,989	.....28,093	.....0.7	.....4,096,082	.....83.9	.....4,407	.....460	.....4,100,949	.....84.0
5. 2005.....	.....4,845,912	.....3,671,328	.....25,353	.....0.7	.....3,696,681	.....76.3	.....426,823	.....44,568	.....4,168,072	.....86.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	42,546	2,490	358	63	
2. 2001.....	197,619	38,248	1,387	149	124
3. 2002.....	XXX	224,497	40,541	1,152	119
4. 2003.....	XXX	XXX	245,827	43,357	708
5. 2004.....	XXX	XXX	XXX	285,068	44,131
6. 2005.....	XXX	XXX	XXX	XXX	310,622

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	45,818	2,720	664		
2. 2001.....	249,423	40,307	5,112	402	116
3. 2002.....	XXX	274,864	38,111	4,747	122
4. 2003.....	XXX	XXX	298,997	41,376	776
5. 2004.....	XXX	XXX	XXX	342,284	41,991
6. 2005.....	XXX	XXX	XXX	XXX	310,716

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....	175,675	237,528	1,640	0.7	239,168	136.1			239,168	136.1
2. 2002.....	189,427	266,309	1,839	0.7	268,148	141.6	15	2	268,165	141.6
3. 2003.....	202,164	289,892	2,002	0.7	291,894	144.4	149	16	292,059	144.5
4. 2004.....	214,979	329,199	2,273	0.7	331,472	154.2	1,007	105	332,584	154.7
5. 2005.....	223,683	310,622	2,145	0.7	312,767	139.8	55,865	5,847	374,479	167.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	8,049	93	(3)		
2. 2001.....	89,613	5,546	51	3	
3. 2002.....	XXX	90,446	5,619	90	1
4. 2003.....	XXX	XXX	77,331	4,837	41
5. 2004.....	XXX	XXX	XXX	66,512	3,636
6. 2005.....	XXX	XXX	XXX	XXX	62,409

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	8,173	97	27		
2. 2001.....	97,634	5,635	182		
3. 2002.....	XXX	95,022	5,527	86	2
4. 2003.....	XXX	XXX	85,098	5,002	42
5. 2004.....	XXX	XXX	XXX	70,340	3,761
6. 2005.....	XXX	XXX	XXX	XXX	61,417

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....	107,291	95,214	658	0.7	95,872	89.4			95,872	89.4
2. 2002.....	107,774	96,156	664	0.7	96,820	89.8			96,820	89.8
3. 2003.....	100,612	82,209	568	0.7	82,777	82.3			82,777	82.3
4. 2004.....	86,229	70,149	484	0.7	70,633	81.9	32	3	70,668	82.0
5. 2005.....	81,150	62,409	431	0.7	62,840	77.4	3,088	323	66,251	81.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	1,068	10			
2. 2001.....	13,073	1,066	6		
3. 2002.....	.XXX	12,572	1,235	13	
4. 2003.....	.XXX	.XXX	13,044	1,177	6
5. 2004.....	.XXX	.XXX	.XXX	11,798	835
6. 2005.....	.XXX	.XXX	.XXX	.XXX	11,054

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	1,074	10			
2. 2001.....	14,550	1,073			
3. 2002.....	.XXX	14,749	1,247	22	
4. 2003.....	.XXX	.XXX	14,186	1,003	8
5. 2004.....	.XXX	.XXX	.XXX	12,747	684
6. 2005.....	.XXX	.XXX	.XXX	.XXX	11,168

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....	17,827	14,145	98	0.7	14,243	79.9			14,243	79.9
2. 2002.....	20,791	13,820	95	0.7	13,915	66.9			13,915	66.9
3. 2003.....	18,701	14,227	98	0.7	14,325	76.6			14,325	76.6
4. 2004.....	16,403	12,633	87	0.7	12,720	77.5	3		12,723	77.6
5. 2005.....	16,032	11,054	76	0.7	11,130	69.4	746	78	11,954	74.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	16,169	129	121	124	
2. 2001.....	117,307	15,084	1,342	218	82
3. 2002.....	XXX	121,219	27,071	2,050	154
4. 2003.....	XXX	XXX	135,623	27,982	634
5. 2004.....	XXX	XXX	XXX	169,482	22,168
6. 2005.....	XXX	XXX	XXX	XXX	197,272

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	22,286	684	248		
2. 2001.....	133,701	20,061	3,107	189	99
3. 2002.....	XXX	137,031	28,344	3,813	193
4. 2003.....	XXX	XXX	168,194	30,044	924
5. 2004.....	XXX	XXX	XXX	202,777	28,174
6. 2005.....	XXX	XXX	XXX	XXX	182,136

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....	147,666	134,034	926	0.7	134,960	91.4			134,960	91.4
2. 2002.....	151,194	150,495	1,039	0.7	151,534	100.2	6	1	151,541	100.2
3. 2003.....	194,126	164,239	1,134	0.7	165,373	85.2	154	16	165,543	85.3
4. 2004.....	220,761	191,650	1,323	0.7	192,973	87.4	1,235	129	194,337	88.0
5. 2005.....	227,348	197,272	1,362	0.7	198,634	87.4	26,789	2,803	228,226	100.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	..XXX.				
4. 2003.....	..XXX.	..XXX.			
5. 2004.....	..XXX.	..XXX.	..XXX.		
6. 2005.....	..XXX.	..XXX.	..XXX.	..XXX.	..246

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	..XXX.				
4. 2003.....	..XXX.	..XXX.			
5. 2004.....	..XXX.	..XXX.	..XXX.		
6. 2005.....	..XXX.	..XXX.	..XXX.	..XXX.	..6,262

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....			0.000.0		00.0
2. 2002.....			0.000.0		00.0
3. 2003.....			0.000.0		00.0
4. 2004.....				.....0.0	.....0	.....0.0			.....0	.....0.0
5. 2005.....	.....6,870	.....246		.....0.0	.....246	.....3.6	.....6,015	.....630	.....6,891	.....100.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	NONE				
2. 2001.....					
3. 2002.....		XXX			
4. 2003.....		XXX	XXX		
5. 2004.....		XXX	XXX	XXX	
6. 2005.....		XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	NONE				
2. 2001.....					
3. 2002.....		XXX			
4. 2003.....		XXX	XXX		
5. 2004.....		XXX	XXX	XXX	
6. 2005.....		XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....				0.0	0	0.0			0	0.0
2. 2002.....				0.0	0	0.0			0	0.0
3. 2003.....				0.0	0	0.0			0	0.0
4. 2004.....				0.0	0	0.0			0	0.0
5. 2005.....				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	8,077				
2. 2001.....	1,447,269				
3. 2002.....	XXX	44,270			
4. 2003.....	XXX	XXX	50,586		
5. 2004.....	XXX	XXX	XXX	63,734	533
6. 2005.....	XXX	XXX	XXX	XXX	80,718

SECTION B - INCURRED HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....	16,998	6,749			
3. 2002.....	XXX	12,690	3,886		
4. 2003.....	XXX	XXX	68,379	4,739	
5. 2004.....	XXX	XXX	XXX	82,242	3,418
6. 2005.....	XXX	XXX	XXX	XXX	76,329

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....	869,070	1,447,269	9,995	0.7	1,457,264	167.7			1,457,264	167.7
2. 2002.....	62,353	44,270	306	0.7	44,576	71.5			44,576	71.5
3. 2003.....	83,456	50,586	349	0.7	50,935	61.0			50,935	61.0
4. 2004.....	99,760	64,267	444	0.7	64,711	64.9	2,884	302	67,897	68.1
5. 2005.....	122,160	80,718	557	0.7	81,275	66.5	18,858	1,974	102,107	83.6

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves.....	230,429,694	198,953,933	26,393,848	4,266,792	815,121							
2. Additional policy reserves (a).....	271,900,000	75,750,000	195,000,000	840,000	310,000							
3. Reserve for future contingent benefits.....	0											
4. Reserve for rate credits or experience rating refunds (including \$.00) for investment income.....	290,157,962	286,221,671		2,356,620	1,579,671							
5. Aggregate write-ins for other policy reserves.....	0	0	0	0	0	0	0	0	0	0	0	0
6. Totals (gross).....	792,487,656	560,925,604	221,393,848	7,463,412	2,704,792	0	0	0	0	0	0	0
7. Reinsurance ceded.....	0											
8. Totals (net) (Page 3, Line 4).....	792,487,656	560,925,604	221,393,848	7,463,412	2,704,792	0	0	0	0	0	0	0
CLAIM RESERVE												
9. Present value of amounts not yet due on claims.....	0											
10. Reserve for future contingent benefits.....	0											
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	0	0	0	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded.....	0											
14. Totals (net) (Page 3, Line 7).....	0	0	0	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS												
0501.	0											
0502.	0											
0503.	0											
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0	0	0	0	0	0	0	0	0	0
1101.	0											
1102.	0											
1103.	0											
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0	0	0	0	0	0	0	0	0

(a) Includes \$.271,900,000 premium deficiency reserve.

BLUE CROSS BLUE SHIELD OF MICHIGAN
UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....29,755,292 for occupancy of own building).....	3,625,148	7,460,204	21,462,884	38,419	32,586,655
2. Salaries, wages and other benefits.....	61,098,002	144,942,190	331,266,721	590,201	537,897,114
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			178,963,126		178,963,126
4. Legal fees and expenses.....			17,652,305		17,652,305
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	1,375,978	146,464	25,564,049		27,086,491
7. Traveling expenses.....	1,239,852	617,609	9,427,385	11,509	11,296,355
8. Marketing and advertising.....			10,339,159		10,339,159
9. Postage, express and telephone.....	1,080,846	12,155,997	10,679,100	2,334	23,918,277
10. Printing and office supplies.....	911,431	2,158,647	4,884,727	3,698	7,958,503
11. Occupancy, depreciation and amortization.....	1,606,923	3,373,819	2,564,000	41,920	7,586,662
12. Equipment.....	14,631				14,631
13. Cost or depreciation of EDP equipment and software.....	1,802,673	273,609	58,513,586	6,395	60,596,263
14. Outsourced services including EDP, claims, and other services.....	28,353,813	86,607,111	64,365,382	128,162	179,454,468
15. Boards, bureaus and association fees.....	193,422	34,334	5,153,139	493	5,381,388
16. Insurance, except on real estate.....	19,850		1,782,864		1,802,714
17. Collection and bank service charges.....	4,422			245,720	250,142
18. Group service and administration fees.....			96,318,452		96,318,452
19. Reimbursements by uninsured accident and health plans.....	(59,512,107)	(151,019,606)	(474,621,287)		(685,153,000)
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....					0
23.3 Regulator authority licenses and fees.....			781,190		781,190
23.4 Payroll taxes.....	4,123,301	9,674,980	17,770,308	35,544	31,604,133
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25).....	45,938,185	116,425,358	382,867,090	1,104,395	(a)...546,335,028
27. Less expenses unpaid December 31, current year.....		57,328,520	135,045,730		192,374,250
28. Add expenses unpaid December 31, prior year.....		62,994,853	115,419,724		178,414,577
29. Amounts receivable relating to uninsured accident and health plans, prior year.....		31,645,239	69,457,761		101,103,000
30. Amounts receivable relating to uninsured accident and health plans, current year.....		25,097,557	56,653,443		81,751,000
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	45,938,185	115,544,009	350,436,766	1,104,395	513,023,355

DETAILS OF WRITE-INS

2501.					0
2502.					0
2503.					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	0	0	0

(a) Includes management fees of \$.....51,639,586 to affiliates and \$....44,480,411 to non-affiliates.

BLUE CROSS BLUE SHIELD OF MICHIGAN
EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....20,603,290	.....23,986,703
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....84,476,402	.....86,832,945
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....12,674	.....12,674
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....2,601,447	.....3,773,677
2.21 Common stocks of affiliates.....	.....	.....15,273,684
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....14,966,734	.....15,134,592
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....1,287,612	.....31,042,904
10. Total gross investment income.....	.....123,948,159	.....176,057,179
11. Investment expenses.....	.....	(g).....1,068,851
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....35,544
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i).....12,955,709
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....14,060,104
17. Net investment income (Line 10 minus Line 16).....	.....	.....161,997,075

DETAILS OF WRITE-INS		
0901. SECURITY LENDING INCOME.....	.....1,287,612	.....1,287,612
0902. HOME OFFICE RENT.....	.....	.....29,755,292
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....1,287,612	.....31,042,904
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....	.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....	.....0
(a) Includes \$.....1,113,633 accrual of discount less \$.....13,136,564 amortization of premium and less \$.....39,970,176 paid for accrued interest on purchases.		
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.		
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.		
(d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.		
(e) Includes \$.....3,860,746 accrual of discount less \$.....3,850,415 amortization of premium and less \$.....6,178,124 paid for accrued interest on purchases.		
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.		
(g) Includes \$.....1,287,612 investment expenses and \$.....35,544 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.		
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.		
(i) Includes \$.....12,955,709 depreciation on real estate and \$.....0 depreciation on other invested assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. government bonds.....	.....(8,408,578)	.....	.....	.....(8,408,578)
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....	.....0
1.2 Other bonds (unaffiliated).....	.....(23,598,515)	.....	.....	.....(23,598,515)
1.3 Bonds of affiliates.....	.....	.....	.....	.....0
2.1 Preferred stocks (unaffiliated).....	.....(15,633)	.....	.....	.....(15,633)
2.11 Preferred stocks of affiliates.....	.....	.....	.....	.....0
2.2 Common stocks (unaffiliated).....	.....11,899,130	.....	.....	.....11,899,130
2.21 Common stocks of affiliates.....	.....	.....	.....	.....0
3. Mortgage loans.....	.....	.....	.....	.....0
4. Real estate.....	.....	.....	.....	.....0
5. Contract loans.....	.....	.....	.....	.....0
6. Cash, cash equivalents and short-term investments.....	.....(71,894)	.....	.....	.....(71,894)
7. Derivative instruments.....	.....	.....	.....	.....0
8. Other invested assets.....	.....	.....	.....	.....0
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....(20,195,490)	.....0	.....0	.....(20,195,490)
DETAILS OF WRITE-INS				
0901. ....	.....	.....	.....	.....0
0902. ....	.....	.....	.....	.....0
0903. ....	.....	.....	.....	.....0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.....0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.....0
2.2 Common stocks.....	39,522,623	17,072,000	(22,450,623)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.....0
3.2 Other than first liens.....			.....0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.....0
4.2 Properties held for the production of income.....			.....0
4.3 Properties held for sale.....			.....0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.....0
6. Contract loans.....			.....0
7. Other invested assets (Schedule BA).....	8,665,924		(8,665,924)
8. Receivables for securities.....			.....0
9. Aggregate write-ins for invested assets.....	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	48,188,547	17,072,000	(31,116,547)
11. Title plants (for Title insurers only).....			.....0
12. Investment income due and accrued.....			.....0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection.....			.....0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.....0
13.3 Accrued retrospective premiums.....	494,855	9,307,000	8,812,145
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers.....			.....0
14.2 Funds held by or deposited with reinsured companies.....			.....0
14.3 Other amounts receivable under reinsurance contracts.....			.....0
15. Amounts receivable relating to uninsured plans.....			.....0
16.1 Current federal and foreign income tax recoverable and interest thereon.....			.....0
16.2 Net deferred tax asset.....	57,423,618	30,689,269	(26,734,349)
17. Guaranty funds receivable or on deposit.....			.....0
18. Electronic data processing equipment and software.....	50,864,535	48,654,215	(2,210,320)
19. Furniture and equipment, including health care delivery assets.....	11,859,014	11,676,565	(182,449)
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.....0
21. Receivable from parent, subsidiaries and affiliates.....			.....0
22. Health care and other amounts receivable.....	2,602,181	42,428,689	39,826,508
23. Aggregate write-ins for other than invested assets.....	102,431,121	32,863,147	(69,567,974)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	273,863,871	192,690,885	(81,172,986)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.....0
26. TOTALS (Lines 24 and 25).....	273,863,871	192,690,885	(81,172,986)

DETAILS OF WRITE-INS

0901. ....			.....0
0902. ....			.....0
0903. ....			.....0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0
2301. Miscellaneous Accounts Receivable.....	4,279,882	3,611,009	(668,873)
2302. Prepaid and Other Assets.....	2,260,649	1,731,895	(528,754)
2303. Company Owned Automobile.....	753,390	796,369	42,979
2398. Summary of remaining write-ins for Line 23 from overflow page.....	95,137,200	26,723,874	(68,413,326)
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	102,431,121	32,863,147	(69,567,974)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....						
2. Provider service organizations.....						
3. Preferred provider organizations.....	1,173,365	1,019,203	1,017,856	1,037,466	1,060,477	12,363,189
4. Point of service.....	76,229	61,683	59,184	57,479	57,983	714,822
5. Indemnity only.....	472,714	598,401	582,942	553,179	528,135	6,864,227
6. Aggregate write-ins for other lines of business.....	899,584	927,119	928,135	896,620	893,706	10,919,911
7. Total.....	2,621,892	2,606,406	2,588,117	2,544,744	2,540,301	30,862,149

DETAILS OF WRITE-INS

0601. National Stoploss.....	252,057	252,743	252,912	252,081	250,390	3,025,417
0602. Local Stoploss.....	647,527	674,376	675,223	644,539	643,316	7,894,494
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	899,584	927,119	928,135	896,620	893,706	10,919,911

**NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS
FOR PERIOD ENDED DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

In accordance with Michigan Public Act 350 of 1980 and amended by Act 59 of 2003, the financial statements of Blue Cross Blue Shield of Michigan (BCBSM or the "Company") are presented on the basis of accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services ("OFIS"). Prior to Act 59, BCBSM was required to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The final year of reporting financial statements on a GAAP basis was 2003. As described below, effective March 31, 2004, all quarterly statements filed with the OFIS were prepared using prescribed and permitted Statutory Statement of Accounting Principles ("SSAP").

OFIS recognizes only statutory accounting practices prescribed or permitted by the state of Michigan for determining and reporting the financial condition and results of operations of an insurance company. OFIS has adopted the National Association of Insurance Commissioners' Accounting Practices and Procedures (NAIC SAP) as the basis for its statutory accounting practices. The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by OFIS.

The Commissioner of OFIS has the right to permit other specific practices that may deviate from prescribed practices. In accordance with Act 59, the Company, in agreement with OFIS, adopted a three-year plan allowing transition of its reporting from accounting principles generally accepted in the United States of America ("GAAP") to statutory accounting practices ("SAP"). Implementation of the transition plan began with the statutory filing for the first quarter of 2004. All statutory requirements under the transition plan will be fully adopted by and phased in by January 1, 2007.

The essential elements of the transition plan, as set forth in State Order No. 05-056-M are as follows:

1. **Bonds**—The Company will report any security purchased on or before December 31, 2003 on a GAAP basis and any new securities purchased after December 31, 2003 will be reported in accordance with SAP. Approximately 33% of the Company's portfolio will be valued on a SAP basis after year 1, 66% after year 2 and the entire balance after year 3.

As of December 31, 2005, \$1.78 billion of the \$1.8 billion of bonds held at December 31, 2003 have been disposed of, representing a 96% cumulative churn rate as of the second year of transition.

2. **Investment in subsidiaries**—The Company will use the current equity method and follow SAP in valuing the subsidiaries. The Company will have three years to record the statutory impact to surplus for investment in subsidiaries based on the following percentages: 1st year 25%, 2nd year 50% and 3rd year 75%.

In accordance with SSAP No. 68, the Company reports its investments in subsidiaries inclusive of related goodwill balances. Included in the Company's common stock balance are the investments in Blue Care Network, The Accident Fund Insurance Company of America and DenteMax. As of December 31, 2005 the breakdown between goodwill and investments in subsidiaries is shown on the following page.

	December 31, 2005 Statement Value
Common Stock Investments in Subsidiaries:	
Investment in BCN*	\$ 319,405,500
Investment in AFICA	505,875,000
AFICA goodwill	53,311,200
Investment in DenteMax	1,327,877
DenteMax goodwill	1,103,200
Amount included in common stock	<u>\$ 881,022,777</u>
Summary:	
Investment in Subsidiaries	\$ 826,608,377
Goodwill	54,414,400
Total Investment in Subsidiaries (incl Goodwill)	<u>\$ 881,022,777</u>

* Includes investments in BCN, BCMI, Malpractice Trust and Stop-Loss Trust

As of December 31, 2005 the Company's goodwill balances were fully admissible based on the calculation set forth in the transition plan. The goodwill limitation calculated based on the transition plan was \$314.2 million and the Company's actual goodwill balance was \$54.4 million, resulting in a fully admitted asset.

The investment balances shown above for the Company's investments in insurance SCA entities, BCN and AFICA, are reported based on the underlying statutory equity of these entities adjusted by the phase-in percentage allowed under the transition plan.

	A	B	C	D	A + D
				50% Transition	
	GAAP Equity	SAP Equity	100% Adjustment	Phase-In	Statement Value
Investment in BCN	324,164,000	314,647,000	(9,517,000)	(4,758,500)	319,405,500
Investment in AFICA*	531,212,000	480,538,000	(50,674,000)	(25,337,000)	505,875,000

* Excludes goodwill

- Goodwill**—The Company will apply SAP guidelines. However, beginning January 1, 2004, the percentage of surplus limitation will be as follows: 1st year 16%, 2nd year 14% and 3rd year 12%.
- Regulatory asset**—The Company will non-admit the balance based on the following percentages: 1st year 25%, 2nd year 50% and 3rd year 75%.
- Furniture, equipment and automobiles**—The Company will non-admit balances in accordance with SSAP No. 19, *Furniture and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements* and SSAP No. 20, *Nonadmitted Assets*.
- Retiree health obligation**—The Company will discontinue reporting an obligation for non-vested employees. The statutory impact will be reported in the first year.
- Retiree pension asset**—The Company will non-admit the balance based on the following minimum percentages: 1st year 25%, 2nd year 50% and 3rd year 75%.
- Prepaid expenses and other assets**- The Company will non-admit balances in accordance with SAP.

A reconciliation of the Company's net income and surplus between GAAP, NAIC-SAP and practices prescribed and permitted by the State of Michigan is shown below (in thousands):

	Michigan OFIS Transition SAP	NAIC Full SAP
GAAP net income, December 31, 2005	\$ 336,888	\$ 336,888
Add (Deduct) GAAP to Statutory differences		
Sale-leaseback adjustments	15,292	15,292
Affiliates' earnings shown under change in unrealized capital gain line	(106,264)	(106,264)
Deferred tax credits not allowed for SAP	(36,456)	(36,456)
Deferred implementation premiums expensed for SAP	(29,458)	(29,458)
Non-vested retiree pension expenses	13,002	13,002
Statutory net income, December 31, 2005	<u>\$ 193,004</u>	<u>\$ 193,004</u>
 GAAP surplus, December 31, 2005	 \$ 2,597,192	 \$ 2,597,192
 Add Sale-leaseback adjustments	 55,753	 55,753
Less: Sale-Leaseback deferred tax asset	(11,151)	(11,151)
Less Goodwill amortization	(13,604)	(13,604)
Less Bonds and preferred stock market value adjustment	(3,614)	(3,614)
Add(Deduct) bond adjustment net of tax	3,406	(574)
Add(Deduct) Assets or liabilities not admitted as set forth in the Transition plan		
Accrued retrospective premiums	(495)	(495)
Other invested assets	(8,666)	(8,666)
Investment in subsidiaries	(39,523)	(69,618)
Furniture, fixtures and automobiles	(12,613)	(12,613)
Retiree health obligation	136,365	136,365
Implementation premium	(29,458)	(29,458)
Retiree pension asset	(61,916)	(123,831)
Non-admitted portion of advances to providers	(33,222)	(33,222)
Deferred tax asset non admitted	(57,424)	(57,424)
Electronic data processing equipment and software	(50,865)	(50,865)
Health care receivables	(2,603)	(2,603)
Prepaid and other assets	(2,261)	(2,261)
Miscellaneous receivables	(4,280)	(4,280)
Total SAP adjustments	<u>(136,171)</u>	<u>(232,161)</u>
 Statutory surplus, December 31, 2005	 <u>\$ 2,461,021</u>	 <u>\$ 2,365,031</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements, in conformity with SAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

1. Short-term investments are recorded at amortized cost, which approximates market value, and include commercial paper, certificates of deposits, and other readily marketable investments with initial maturities less than one year for short-term investments and three months or less for cash equivalents.
2. Bonds not backed by other loans that have an NAIC designation of 1 or 2 are stated at amortized cost using the interest method. Bonds with an NAIC designation of 3 or higher are carried at the lower of amortized cost or fair market value. Bonds that were purchased on or before December 31, 2003, are stated at fair market value pursuant to the transition plan.

3. Common stocks are valued as prescribed by the Securities Valuation Office ("SVO") of the NAIC. Changes in unrealized appreciation and depreciation in the value of common stocks are reflected as direct increases or decreases in surplus.
4. Preferred Stocks are stated at book value for NAIC class 1 &2 and lower of book value or market for NAIC class 3 to 6.
5. Mortgage loans on real estate – NOT APPLICABLE
6. Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original purchases assumptions are accounted for using the retrospective method.
7. Investment in subsidiaries and goodwill- The Company will use the current equity method and follow SAP in valuing the subsidiaries. The Company will have three years to record the statutory impact to surplus for investment in subsidiaries based on the following percentages: 1st year 25%, 2nd year 50%, 3rd year 75%. The Company will follow SAP guidelines for goodwill using the following percentage of surplus limitation: 1st year 16%, 2nd year 14%, 3rd year 12%.
8. Investments in joint ventures, partnerships and limited liability companies The Company has minor ownership interests in partnerships or limited liability companies. The company carries the investment in partnership based on the underlying audited GAAP equity of the partnership.
9. Derivatives – NOT APPLICABLE
10. A liability for premium deficiency losses is recognized when it is probable that expected claim losses and allocable administrative expenses will exceed future premiums on existing health and other contracts without consideration of investment income. For purposes of premium deficiency losses, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. Once established, premium deficiency losses are amortized over the period that the contract is in a loss position. The Company did not consider investment income as a factor in the premium deficiency calculation.
11. The liability for incurred but unpaid and unreported medical and hospital claims is accrued in the period during which the services are provided, and includes actuarial estimates of services performed which have not been reported by providers to BCBSM. Such estimates are based on historical claims experience modified for current trends and changes in benefits provided. Revisions in actuarial estimates are reported in the period in which they arise
12. Real Estate – Real property occupied by the Company is stated at cost and is depreciated using the straight-line method over estimated useful lives ranging from 30 to 40 years for buildings.
13. Long-Lived Assets - Long-lived assets held and used by the Company are reviewed for impairment based on market factors and operational considerations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.
14. Premium and Fee Revenues - Premiums, which generally are billed in advance, are recognized as revenue during the respective periods of coverage. Premiums applicable to the unexpired portion of coverage are reported as unearned revenue. Fee revenue primarily consists of administrative fees for services provided under administrative service contracts ("ASC"), including management of medical services, claims processing and access to provider networks. Under ASC arrangements, self-funded groups retain the full risk of paying claims. Amounts due from ASC

groups are equal to the amounts required to pay claims and administrative fees. Administrative fees are earned as services are performed and are calculated based on the number of members in a group or the group's claim experience. Since benefit expenses for ASC arrangements are not the responsibility of the Company, claims paid by the Company and the corresponding reimbursement of claims plus administrative fees are netted in the financial statements. Administrative fee revenue related to ASC arrangements is included in operating expenses.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

- A. Under the provisions of Act 59, the Company is required to prepare statutory financial statements in accordance with SAP prescribed or permitted by OFIS. Prior to the enactment of the new law, the Company was required to prepare its statutory statements in accordance with GAAP.
- B. The Company and OFIS have agreed to a three-year plan that will allow the Company to transition its statutory reporting from GAAP to SAP in a non-disruptive manner. Implementation of the transition plan began with the statutory filing for the first quarter of 2004.
- C. Accounting changes adopted to comply with the OFIS approved transition plan are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds in the period of the change in accounting principle. The adoption of the new accounting principle had the effect of decreasing unassigned surplus at March 31, 2004, reported as a change of accounting principle, of \$20,974,763. The cumulative effect is the difference between the amount of capital and surplus at March 31, 2004, and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods.

3. BUSINESS COMBINATIONS – NOT APPLICABLE

4. DISCONTINUED OPERATIONS – NOT APPLICABLE

5. INVESTMENTS

- A. Mortgage Loans – NOT APPLICABLE
- B. Debt Restructuring – NOT APPLICABLE
- C. Reverse Mortgages – NOT APPLICABLE
- D. Loan-Backed Securities - Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original purchases assumptions are accounted for using the retrospective method.
- E. Repurchase Agreements – NOT APPLICABLE
- F. Real Estate – NOT APPLICABLE

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

- A. The Company has no investments in partnerships or limited liability companies that exceed 10 percent of its admitted assets.
- B. The Company did not recognize any impairment for its investments in partnerships or limited liability companies during the statement period.

7. INVESTMENT INCOME

- A. Investment income due and accrued with amounts that are over 90 days past due will be non-admitted.

- B. No investment income due and accrued was non-admitted at December 31, 2005.

8. DERIVATIVE INSTRUMENTS – NOT APPLICABLE

9. INCOME TAXES

- A. The components of the net deferred tax assets at December 31 are as follows:

	<u>2005</u>	<u>2004</u>
Total of all gross deferred tax assets (admitted and nonadmitted)	\$ 168,755	\$ 138,969
Total of all gross deferred liabilities	<u>(54,847)</u>	<u>(60,055)</u>
Net deferred tax asset	113,908	78,914
Deferred tax asset nonadmitted in accordance with SSAP No. 10	<u>(57,424)</u>	<u>(30,689)</u>
Net admitted deferred tax asset	<u>\$ 56,484</u>	<u>\$ 48,225</u>
(Increase) in nonadmitted asset	<u>\$ (26,735)</u>	<u>\$ (30,689)</u>

- B. Unrecognized Deferred Tax Liabilities – Not Applicable

- C. Current income taxes incurred at December 31 consist of the following:

	<u>2005</u>	<u>2004</u>
Federal income tax on earnings other than net capital gains	\$ 92,806	\$ 120,895
Federal income tax on net capital gains (losses)	<u>92,806</u>	<u>9,243</u>
	(22,679)	130,138
Amounts incurred relating to prior years	<u>(22,679)</u>	<u>6,888</u>
Total federal income taxes incurred	<u>\$ 70,127</u>	<u>\$ 137,026</u>

In 2005, the federal income tax on net capital losses is presented net of investment income.

The main components of the deferred tax amounts at December 31 are as follows:

	<u>2005</u>	<u>2004</u>
Deferred tax assets:		
Amounts accrued for postretirement benefits	\$ 79,436	\$ 70,508
Amounts accrued for premium deficiency	54,380	32,500
Discount of claim reserves	8,000	15,588
Amounts accrued to groups	400	3,803
Accrued expenses and bad debts	<u>26,539</u>	<u>16,570</u>
Total deferred tax assets	168,755	138,969
Nonadmitted deferred tax assets	<u>(57,424)</u>	<u>(30,689)</u>
Admitted deferred tax assets	111,331	108,280
Deferred tax liabilities:		
Unrealized capital gains on investments	4,902	6,499
Rate recovery from area rated groups	1,344	-
Amounts prepaid for pension benefits	18,312	20,473
Depreciation, amortization and other	<u>30,289</u>	<u>33,083</u>
Total deferred tax liabilities	<u>54,847</u>	<u>60,055</u>
Net admitted deferred tax assets	<u>\$ 56,484</u>	<u>\$ 48,225</u>

- D. The actual effective tax rate differs from the expected AMT rate of 20 percent primarily due to the tax impact recognized on the tax adjustments attributable to prior years.
- E. At December 31, 2005, the Company does not have any unused operating loss carryforwards available to offset against future taxable income.
- F. The Company and its two taxable subsidiaries, Accident Fund and DenteMax, file a consolidated federal income tax return. Further, the Company has tax

sharing agreements with its taxable subsidiaries to provide that each taxable subsidiary is responsible for its own federal tax liability.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

The Company is incorporated as a nonprofit corporation under the provisions of Public Act 350 ("P.A. 350") of the State of Michigan. Hospital, medical and other health benefits are provided under contracts with subscribers. The Company owns 100% of Blue Care Network of Michigan ("BCNM"), a health maintenance organization ("HMO") subsidiary that provides health care services to subscribers and contracts with various physician groups, hospitals and other health care providers to provide such services. The Company also owns 100% of Accident Fund Insurance Company of America ("AFICA"), a provider of workers' compensation insurance, and DenteMax, providers of network services. On July 30, 2005, the Company's Board of Directors approved the formation of a long-term care insurance subsidiary, LifeSecure Insurance Company. Final approval by the State of Michigan is anticipated by the second quarter of 2006.

BCBSM conducts business transactions with its wholly owned subsidiaries on a routine basis. The Company will use the current equity method and follow SAP in valuing the subsidiaries. The Company will have three years to record the statutory impact to surplus for investment in subsidiaries based on the following percentages: 1st year 25%, 2nd year 50%, 3rd year 75%.

At December 31, 2005 and 2004, BCBSM had receivables from subsidiaries amounting to \$27,743,245 and \$17,224,736, respectively. Beginning in 2004, BCN became part of the BCBSM hospital settlement process. As related to that process, BCN's portion of underpayments due to hospitals or overpayment recoveries from hospitals will be accrued to or paid by BCBSM as applicable. As of December 31, 2005 and 2004, settlements owed to BCNM of \$5,249,298 and \$4,527,000, respectively, are included in the Company's inter-company payable of \$13,053,194 and \$14,795,558, respectively.

11. DEBT – NOT APPLICABLE

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POST EMPLOYMENT BENEFITS AND COMPENSATED ABSCENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

A. Defined Benefit Plan

Substantially all employees who meet certain requirements of age and length of service are covered by the Corporation's defined benefit retirement income plans. Benefits paid to retirees are based on age at retirement, years of credited service and highest monthly average earnings over 60 consecutive months.

Under the Company's amended retirement account plan for non-represented employees, each participant has an account balance to which interest and earnings credits are added. Interest will be credited quarterly based on the prior August one-year Treasury bill rate. Annual earnings credits of 6% to 10% are credited to participants' account balances on a monthly basis and monthly 2% annual transition credits are made through 2008. Employees can elect to receive the lump-sum value of their vested account balance or monthly payments at retirement or termination.

The Company also provides certain health care and selected other benefits to all employees and their dependents. Represented and non-represented employees who have at least ten years of service after age 45 and retire from active employment or who become disabled and meet certain benefit and service requirements are eligible. This benefit is subject to revision at the discretion of the Board of Directors for non-represented employees and for represented employees, subject to collective bargaining agreements. These plans are noncontributory plans.

Certain revisions to the represented employees' postretirement benefits other than pensions will take effect January 1, 2006. Represented employees eligible to retire after December 31, 2016 are required to have 15 years of service after age 45 to be eligible for retiree health care benefits and selected other benefits.

Certain revisions to the non-represented employees' postretirement benefits other than pensions took effect January 1, 2004. Non-represented employees retiring after December 31, 2003 may share in the cost of their health care premiums and have higher deductibles and co-payments depending on their eligibility status at December 31, 2003. Additionally, non-represented employees hired on or after January 1, 2004 are required to have 15 years of service after age 45 to be eligible for retiree health care benefits and selected other benefits.

A summary of assets, obligations and assumptions of the pension and other postretirement benefit plans at plan measurement date of September 30, 2005 and as recorded at December 31, 2005 and 2004 are as follows (dollars in thousands):

1) Change in benefit obligation

	Pension Benefits		Postretirement Benefits	
	2005	2004	2005	2004
Benefits obligation—beginning of year	\$ 781,807	\$ 745,439	\$ 342,678	\$ 251,330
Service cost	31,559	28,564	22,568	23,631
Interest cost	44,792	42,921	21,541	19,493
Actuarial loss	16,637	13,710	14,227	61,181
Benefits paid	<u>(37,690)</u>	<u>(48,827)</u>	<u>(15,380)</u>	<u>(12,957)</u>
Benefits obligation—end of year	<u>\$ 837,105</u>	<u>\$ 781,807</u>	<u>\$ 385,634</u>	<u>\$ 342,678</u>

2) Change in plan assets

	Pension Benefits		Postretirement Benefits	
	2005	2004	2004	2004
Fair value of plan assets—beginning of year	\$ 732,610	\$ 690,373	\$ -	\$ -
Actual return on plan assets	99,042	91,349	-	-
Employer contribution	1,561	-	-	-
Inter-plan transfer	(2,500)			
Benefits paid	<u>(35,346)</u>	<u>(49,112)</u>	<u>-</u>	<u>-</u>
Fair value of plan assets—end of year	<u>\$ 795,367</u>	<u>\$ 732,610</u>	<u>\$ -</u>	<u>\$ -</u>

3) Funded status

	Pension Benefits		Postretirement Benefits	
	2005	2004	2005	2004
Unamortized prior service cost	\$ -	\$ -	\$ 8,047	\$ 9,671
Unrecognized net (loss) gain	\$ 20,794	\$ 33,962	\$ (131,683)	\$ (122,358)
Remaining net obligation or (net asset) at initial date of application	\$ (123,831)	\$ (106,895)	\$ 261,999	\$ 229,990
(Prepaid non-admitted assets)	\$ (61,916)	\$ (26,724)	\$ -	\$ -
Accrued pension expense included in other liabilities	\$ 27,836	\$ -	\$ -	\$ -
Information for pension plans with a projected benefit obligation in excess of plan assets:				
Projected benefit obligation	\$ 24,920	\$ -	\$ -	\$ -
Fair value of plan assets	\$ -	\$ -	\$ -	\$ -

4) Projected benefit obligation for non-vested employees

	Pension Benefits		Postretirement Benefits	
	2005	2004	2005	2004
Projected benefit obligation for non vested employees	\$ 14,258	\$ 16,213	\$ 168,419	\$ 146,802

5) Components of net periodic benefit cost

	Pension Benefits		Postretirement Benefits	
	2005	2004	2005	2004
Service cost	\$ 31,559	\$ 28,564	\$ 22,568	\$ 23,630
Interest cost	44,792	42,921	21,541	19,493
Expected return on plan assets	(67,347)	(68,004)	-	-
Amortization of unrecognized transition obligation or transition asset	<u>42,038</u>	<u>40,640</u>	<u>3,279</u>	<u>2,617</u>
Total net periodic benefit cost	<u>\$ 51,042</u>	<u>\$ 44,121</u>	<u>\$ 47,388</u>	<u>\$ 45,740</u>

6) Minimum pension liability adjustment – Not Applicable

7) Weighted-average assumptions as of December 31:

	Pension Benefits		Postretirement Benefits	
	2005	2004	2005	2004
Discount rate	5.72%	5.85%	5.80%	5.85%
Rate of compensation increase	4.75%	4.75%		
Expected long-term rate of return on plan assets	9.00%	9.00%		

For 2006, the expected long-term rate of return on assets will be 9.00%.

For 2005 measurement purposes, the health care trend rate on covered postretirement benefits is assumed to be 8.93% for 2006, ratably downgrading to 5.00% by 2011 and all years thereafter.

8) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in thousands):

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on total of service and interest cost components	\$ 7,075	\$ 5,783
Effect on postretirement benefit obligation	\$ 53,140	\$ 44,194

9) On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("Act") was signed into law. The Act provides a prescription drug benefit under Medicare ("Medicare Part D") as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least equivalent to the Medicare Part D benefit. In 2004, the Company adopted FASB Staff Position ("FSP") 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, which provided specific guidance on the accounting for the federal subsidies under the program. The Company determined that the prescription drug benefits provided by the Company's postretirement health care plan are actuarially equivalent to the benefits provided under the Medicare Part D program, which entitles the Company to the federal subsidies described in the Act.

B. Defined Contribution Plan

Substantially all employees of the Company who have attained the age of 21 years and have completed three months of continuous service may elect to participate in one of two employee savings plans, which are qualified under Section 401(k) of the Internal Revenue Code. For both non-represented and represented employees, the Company matches 50% of employee contributions up to 10% of bi-weekly adjusted W-2 wages for employees with one year of continuous service. The Company's contribution on a consolidated basis was \$15.0 million and \$14.1 million for 2005 and 2004, respectively. At December 31, 2004, the fair value of the plan assets was \$542.4 million.

C. Multi-employer Plans – NOT APPLICABLE

D. Consolidated/Holding Company Plans – NOT APPLICABLE

E. Post employment Benefits and Compensated Absences – NOT APPLICABLE

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS.

A. Under the provisions of Public Act No. 59 of 2003 ("Act 59") of the State of Michigan, the Company must maintain adequate subscriber reserves to comply with Section 403 of the Michigan Insurance Code, which requires authorized insurers to be safe, reliable and entitled to public confidence. As a result, the Company is required to file with OFIS, on an annual basis, its risk-based capital ("RBC") calculation based on the National Association of Insurance Commissioners ("NAIC") model. Act 59 requires the Company to maintain a RBC ratio of at least 200% but not to exceed 1,000% of subscriber reserves. At December 31, 2005 and 2004, the Company was in compliance with the RBC requirement under both OFIS transition SAP practices as well as the full NAIC SAP practices.

B. BCBSM has no preferred stock outstanding.

C. Under the provisions of The Nonprofit Health Care Corporation Act of 1980, the Company is deemed a charitable and benevolent institution whose primary purpose is to promote the distribution of health care services for all residence of the state of Michigan. As such, the Company has no investors or contributed capital. The unimpaired surplus belongs to the residents of the state of Michigan.

D. Dividend payment restriction – NOT APPLICABLE

E. Surplus Restriction – NOT APPLICABLE

F. The total amount of advances to surplus not repaid – NOT APPLICABLE

G. The amount of stock held by BCBSM for special purposes – NOT APPLICABLE

H. Special surplus funds changes – NOT APPLICABLE

I. The portion of unassigned funds (surplus) represented or reduced by each item below

		(in thousands)
a. Unrealized gains and losses	\$	72,085
b. Nonadmitted asset values	\$	(81,173)
c. Provision for reinsurance	\$	-

J. Surplus debentures of similar obligations – NOT APPLICABLE

K. Impact of any restatement due to quasi-reorganization – NOT APPLICABLE

L. Effective dates of all quasi-reorganizations in the prior 10 years – NOT APPLICABLE

14. CONTINGENCIES

A. Contingent Commitments – NOT APPLICABLE

B. Assessments – NOT APPLICABLE

C. Gain Contingencies – NOT APPLICABLE

D. All Other Contingencies

The Company has been included as a defendant in two potential national class action lawsuits filed against the Blue Cross Blue Shield Association and several Blue Cross Blue Shield plans, alleging unfair pricing of medical claims for a multiple year period. Due to the cost of defense in protracted litigation, the Company is working jointly with the other defendants to develop common defense strategies and evaluating settlement options. Late in 2005, the collective Plans made an initial settlement offer that included cash and certain business process changes desired by the plaintiffs. At December 31, 2005, no final agreement has been reached. The Company has accrued its share of the cash offer pursuant to SSAP No. 5 *Liabilities, Contingencies, and Impairment of Assets*. In spite of the settlement offer, if either case were to go to trial, it would not be possible to make an assessment regarding the probability of an adverse outcome, nor estimate the range of potential loss. If a settlement can not be reached, the Company believes it has meritorious defenses against both lawsuits and intends to defend the actions vigorously.

In addition, the Company is the defendant in numerous other lawsuits arising in the normal course of business primarily related to subscriber benefits and provider reimbursement issues such as incentive payments and participation arrangements. While the ultimate outcome cannot be determined at this time, it is the opinion of management and outside counsel, that the outcome of such lawsuits will not have a material adverse effect on the Company's financial position or results of operations.

Under the terms of self-funded administrative service contracts with its customers, the Company is subject to audits of claims processed by the Company as well as those processed by its related participating plans in other states. Such audits encompass the accuracy of claims payments made on behalf of customers and the administrative expenses charged to the customer. The Company records an estimated amount for the resolution of customer disputes. Settlements of such disputes are not expected to have a material effect on the Company's consolidated financial position or results of operations.

Management believes any probable contingencies are appropriately recorded in other liabilities.

15. LEASES

The Company entered into a sale and leaseback agreement with RBS Lombard (Lombard) on September 25, 2003. Under the transaction, the Company sold Lombard substantially all of its computer hardware and software at a net book value of approximately \$101 million and subsequently leased the assets back. No gain or loss was recorded on this transaction.

A second sale and leaseback transaction was entered into on November 25, 2003 under which the Company sold Lombard \$53.2 million of work-in-process capitalized software. No gain or loss was recorded on this transaction.

The initial lease terms are five years, and monthly lease payments are based on a ten-year amortization period with a balloon payment at the end of five years. In lieu of payment of the balance at the end of year five, the Company will have the option to enter into another lease for an additional five years.

As part of the financing agreement, the Company is required to maintain a letter of credit to collateralize the transaction. The current letter of credit is with Comerica Bank. The amount of the letter of credit is equal to 50 percent of the financed amount of the sale-leaseback transaction. The term of the letter of credit is for one year and will renew annually

The sale-leaseback transaction has been accounted for under SSAP No. 22, which requires a sale of equipment that is accompanied by a leaseback of all or part of the equipment be accounted for as an operating lease. The rent expense incurred through December 31, 2005 related to the sale-leaseback transactions was \$21.7 million

Future minimum lease payments as of December 31, 2005 in connection with the sale-leaseback transactions are as follows:

Year Ending December 31	Lease Payments Under Sale- Leaseback Agreement
2006	21,151,807
2007	21,151,807
2008 and thereafter	94,160,569

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK – NOT APPLICABLE

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

BCBSM, in the normal course of business, enters into security lending agreements with various other counterparties. Under these agreements, BCBSM lends U.S. Treasury securities in exchange for collateral consisting primarily of cash. The collateral pledged from counterparties is not available for BCBSM's general use, and therefore, is restricted. At December 31, 2005 and 2004, securities lending collateral totaled \$557,413,297 and \$390,010,478, respectively.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

A. ASO Plans – NOT APPLICABLE

B. ASC Plans - The gain from operations from ASC uninsured plans and the uninsured portion of partially insured plans (ASC plans with stop loss coverage) as of December, 31, 2005 are as follows (in thousands):

Statement as of December 31, 2005 of the **BLUE CROSS BLUE SHIELD OF MICHIGAN**

	<u>ASC Plans without stoploss</u>	<u>ASC Plans with stoploss</u>	<u>Total</u>
Gross reimbursement for medical cost incurred	\$ 2,808,284	\$ 4,350,202	\$ 7,158,486
Gross administrative fees accrued	232,049	453,104	685,153
Subsidy transfer	(606)	(53,269)	(53,875)
Gross expenses incurred (claims and administrative)	<u>3,042,848</u>	<u>4,728,298</u>	<u>7,771,146</u>
Total net gain from operations	<u>\$ (3,121)</u>	<u>\$ 21,739</u>	<u>\$ 18,618</u>

	<u>Insured</u>	<u>ASC</u>	<u>Total</u>
Premium fees and reimbursements	\$ 5,523,155	\$ 7,843,639	\$ 13,366,794
Claims Incurred	4,764,024	7,158,486	11,922,510
Premium deficiency charge	109,400	-	109,400
Administrative Expenses	<u>617,724</u>	<u>612,660</u>	<u>1,230,384</u>
Total Operating Expenses	5,491,148	7,771,146	13,262,294
Senior Cost Transfer	<u>53,875</u>	<u>(53,875)</u>	<u>-</u>
Underwriting Gain/(Loss)	<u>\$ 85,882</u>	<u>\$ 18,618</u>	<u>\$ 104,500</u>

C. Medicare or Similarly Structured Cost Based Reimbursement Contract – NOT APPLICABLE

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS NOT APPLICABLE

20. SEPTEMBER 11 EVENTS – NOT APPLICABLE

21. OTHER ITEMS

A. Extraordinary Items – NOT APPLICABLE

B. Troubled Debt Restructuring – NOT APPLICABLE

C. Other Disclosures:

Blue Cross Blue Shield Association ("BCBSA") Deposit - As part of its Blue Cross Blue Shield Association ("BCBSA") license requirements, the Company is required to maintain a custodial bank account to assure the payment of claims in the event of the Company's insolvency. The account balance is calculated as a percentage of the Company's unpaid claim liability and consists primarily of marketable securities. The funds in the account are included in the Company's investment portfolio. The Company has the ability to trade and transfer securities within the account as long as the balance in the account is at or above the required minimum. The required balance for the period April 1, 2005 through March 31, 2006, is \$116.8 million. At December 31, 2005, the balance in this custodial account was \$138.7 million.

Industry Concentration— The Company primarily conducts business within the State of Michigan. A significant portion of the Company's customer base is concentrated in companies that are part of the automobile manufacturing industry. Receivables from these customers of \$103,627 and \$123,184 at December 31, 2005 and 2004, respectively, primarily represent reimbursable claims and administrative fees for services provided to them as part of their ASC arrangements with the Company. The Company held cash advances from these customers of \$19,678 and \$16,536 at December 31, 2005 and 2004, respectively, to partially offset these receivables. In addition, the Company holds investments in these customers' equity securities, corporate bonds, commercial

paper, and medium-term notes with a total fair value of \$84,450 and \$11,515 at December 31, 2005 and 2004, respectively.

- D. Uncollectible Assets on Uninsured plans – NOT APPLICABLE
 - E. Noncash Transactions – NOT APPLICABLE
 - F. Business Interruption Insurance Recoveries – NOT APPLICABLE
22. EVENTS SUBSEQUENT – NONE
23. REINSURANCE – NOT APPLICABLE
24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION
- A. A liability is established for experience rated group contracts as a result of favorable experience based on an actuarial estimate of underwriting gains which will be returned to groups, either as cash refunds or future rate reductions. Under terms of most of the experience rated group contracts, recovery, if any, of underwriting losses through future rate increases is not recognized until received. The off-balance sheet receivables arising from underwriting losses for experience rated groups are \$36,933,001 and \$64,662,800 as of December 31, 2005 and 2004, respectively.
 - B. Net premiums written subject to retrospective rating features were \$3.557 million, which represents 63% of total net premiums written.
25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES -
- This estimate is based upon historical claims experience modified for current trends and changes in benefit coverage, which could vary as the claims are ultimately settled. Processing expense related to claims is accrued based on an estimate of expenses to process such claims. Revisions in actuarial estimates are reported in the period in which they arise.
26. INTER-COMPANY POOLING ARRANGEMENTS – NOT APPLICABLE
27. STRUCTURED SETTLEMENTS – NOT APPLICABLE
28. HEALTH CARE RECEIVABLES – The Company receives pharmaceutical rebates from third-party pharmacy benefit managers. These rebates are calculated using estimates based on guaranteed rebate rates, drug benefit trends and membership. Activity for the previous two years is summarized as follows (in thousands):

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2005	37,696,074	7,685,955	7,685,955		
9/30/2005	23,828,167	26,622,776	26,622,776		
6/30/2005	23,890,156	31,919,311	31,919,311		
3/31/2005	24,147,801	35,061,793	35,061,793		
12/31/2004	42,464,282	45,513,256	45,513,256		
9/30/2004	35,937,680	43,629,412	43,629,412		
6/30/2004	40,582,785	37,698,847	37,698,847		
3/31/2004	38,346,135	41,824,511	41,824,511		
12/31/2003	24,853,452	31,682,511	31,682,511		
9/30/2003	24,634,356	26,728,241	26,728,241		
6/30/2003	25,481,836	30,187,900	30,187,900		
3/31/2003	26,311,862	29,091,122	29,091,122		

29. PARTICIPATING POLICIES – NOT APPLICABLE

30. PREMIUM DEFICIENCY RESERVES

A liability for premium deficiency losses is recognized when it is probable that expected claim losses and allocable administrative expenses will exceed future premiums on existing health and other contracts without consideration of investment income. For purposes of premium deficiency losses, contracts are grouped in a manner consistent with the Company’s method of acquiring, servicing and measuring the profitability of such contracts. The anticipated losses are reported as an increase in reserves for life and accident and health contracts. Once established, premium deficiency losses are released over the period that the contract is in a loss position. Premium deficiency reserves consist of the following at December 31 (in thousands):

	Balance 12/31/2004	Additional Provision	Amortization	Balance 12/31/2005
MICChild	\$ 11,500	\$ 18,674	\$ (14,474)	\$ 15,700
Individual	28,000	70,344	(37,144)	61,200
Medicare Complementary	123,000	131,740	(59,740)	195,000
Total	\$ 162,500	\$ 220,758	\$ (111,358)	\$ 271,900

Projected Loss by Year	MICChild	Individual	Medicare Comp	Total
2006 Year	\$ 15,700	\$ 36,500	\$ 85,100	\$ 137,300
2007 Year		19,100	62,600	81,700
2008 Year		5,600	47,300	52,900
	\$ 15,700	\$ 61,200	\$ 195,000	\$ 271,900

The MICChild premium deficiency reserve (“PDR”) was established for the anticipated losses on the state sponsored insurance program, which provides health and dental benefits for uninsured children of Michigan’s working families. The \$11,500,000 balance at December 31, 2004 was the estimated loss for the contract period in effect ending September 31, 2005. At October 1, 2005, the Company established a new premium deficiency reserve of \$18,674,000 based on a current valuation of anticipated losses for the new contract period ending September 30, 2006. At December 31, 2005 the outstanding balance of \$15,700,000 represents anticipated losses for the current contract period.

The premium deficiency reserve for the Company’s Individual business line was established for anticipated losses for the contract years 2006 through 2008 primarily due to the likelihood of lower than expected future premium rate increases and higher than anticipated benefit trends.

The original premium deficiency reserve for the Medicare complimentary line of business established in 2004 was for anticipated losses for the contract years 2005 through 2007. The additional provision for losses through 2008 in the amount of \$131,740,000 was based on revised premium rate increase assumptions. The revised estimates assume rate increases of 0% in 2006 and 20% in years 2007 through 2008.

31. ANTICIPATED SALVAGE AND SUBROGATION - Anticipated salvage and subrogation is included as a reduction to claims unpaid as reported on line 1, page 3 as follows.

	2005	2004
1999 Accident Year	-	379
2000 Accident Year	-	738
2001 Accident Year	511	4,329
2002 Accident Year	1,455	24,921
2003 Accident Year	2,556	207,044
2004 Accident Year	366,224	3,424,814
2005 Accident Year	2,842,758	

32. RECLASSIFICATION OF PRIOR YEAR ACCRUED INCENTIVE AMOUNT – The prior period liability reported on line 2, accrued medical incentive pool and bonus amounts of \$16.9 million was reclassified in 2005 to line 15 amounts receivable from uninsured plans due to the fact that the 2004 liability was attributable to self-funded administrative service contracts.

BLUE CROSS BLUE SHIELD OF MICHIGAN
SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities.....	378,778,057	8.6	378,778,057	8.7
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies.....	231,097,732	5.2	231,097,732	5.3
1.22 Issued by U.S. government sponsored agencies.....		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....	200,000	0.0	200,000	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations.....		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....		0.0		0.0
1.43 Revenue and assessment obligations.....		0.0		0.0
1.44 Industrial development and similar obligations.....		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA.....		0.0		0.0
1.512 Issued or guaranteed by FNMA and FHLMC.....	1,052,079,027	23.9	1,052,079,027	24.2
1.513 All other.....		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA.....		0.0		0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521.....		0.0		0.0
1.523 All other.....		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....	892,665,144	20.3	892,665,144	20.5
2.2 Unaffiliated foreign securities.....		0.0		0.0
2.3 Affiliated securities.....		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds.....	256,215,233	5.8	256,215,233	5.9
3.2 Preferred stocks:				
3.21 Affiliated.....		0.0		0.0
3.22 Unaffiliated.....	1,701,479	0.0	1,701,479	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....		0.0		0.0
3.32 Unaffiliated.....		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated.....	920,545,469	20.9	881,022,846	20.2
3.42 Unaffiliated.....	9,622,860	0.2	9,622,860	0.2
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated.....		0.0		0.0
3.52 Unaffiliated.....		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development.....		0.0		0.0
4.2 Agricultural.....		0.0		0.0
4.3 Single family residential properties.....		0.0		0.0
4.4 Multifamily residential properties.....		0.0		0.0
4.5 Commercial loans.....		0.0		0.0
4.6 Mezzanine real estate loans.....		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company.....	181,037,789	4.1	181,037,789	4.2
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt).....		0.0		0.0
5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt).....		0.0		0.0
6. Contract loans.....		0.0		0.0
7. Receivables for securities.....		0.0		0.0
8. Cash, cash equivalents and short-term investments.....	444,467,144	10.1	444,467,144	10.2
9. Other invested assets.....	33,996,506	0.8	25,330,582	0.6
10. Total invested assets.....	4,402,406,440	100.0	4,354,217,893	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X]

No []

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X]

No []

N/A []

1.3

State regulating?

Michigan

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes []

No [X]

2.2

If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2003

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/16/2005

3.4

By what department or departments?

Office of Financial and Insurances Services

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes []

No [X]

4.12

renewals?

Yes []

No [X]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes []

No [X]

4.22

renewals?

Yes []

No [X]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes []

No [X]

5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Co. Code	State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes []

No [X]

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes []

No [X]

7.2

If yes,

7.21

State the percentage of foreign control.

.....%

7.22

State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes []

No [X]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes []

No [X]

8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche, Suite 900, 600 Renaissance Center, Detroit, Michigan 48243-1704

10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

John Dunn FSA MAAA Director and Coroporate Actuary
Blue Cross Blue Shield of Michigan, 600 E.Lafayette, MC 1850, Detroit,Michigan 48226

11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes []

No [X]

11.11

Name of real estate holding company:

11.12

Number of parcels involved

.....

11.13

Total book/adjusted carrying value

.....

11.2

If yes, provide explanation.

12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes []

No []

12.3

Have there been any changes made to any of the trust indentures during the year?

Yes []

No []

12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes []

No []

N/A []

BOARD OF DIRECTORS

13.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes [X]

No []

14.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes [X]

No []

15.

Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

of such person?

Yes [X] No []

FINANCIAL

16.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11

To directors or other officers

\$.....0

16.12

To stockholders not officers

\$.....0

16.13

Trustees, supreme or grand (Fraternal only)

\$.....0

16.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21

To directors or other officers

\$.....0

16.22

To stockholders not officers

\$.....0

16.23

Trustees, supreme or grand (Fraternal only)

\$.....0

17.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [] No [X]

17.2

If yes, state the amount thereof at December 31 of the current year:

17.21

Rented from others

\$.....0

17.22

Borrowed from others

\$.....0

17.23

Leased from others

\$.....0

17.24

Other

\$.....0

18.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [] No [X]

18.2

If answer is yes:

18.21

Amount paid as losses or risk adjustment

\$.....0

18.22

Amount paid as expenses

\$.....0

18.23

Other amounts paid

\$.....0

19.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []

19.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount.

\$.....27,975,339

INVESTMENT

20.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 3-Special Deposits?

Yes [] No [X]

20.2

If no, give full and complete information relating thereto.
Certain securities are subject to a security lending agreement with State Street Bank.

21.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 3-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1)

Yes [X] No []

21.2

If yes, state the amount thereof at December 31 of the current year:

21.21

Loaned to others

\$.....529,269,740

21.22

Subject to repurchase agreements

\$.....0

21.23

Subject to reverse repurchase agreements

\$.....0

21.24

Subject to dollar repurchase agreements

\$.....0

21.25

Subject to reverse dollar repurchase agreements

\$.....0

21.26

Pledged as collateral

\$.....0

21.27

Placed under option agreements

\$.....0

21.28

Letter stock or securities restricted as to sale

\$.....0

21.29

Other

\$.....0

21.3

For category (21.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

22.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]

22.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [] No [] N/A [X]

22.2

If no, attach a description with this statement.

23.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]

23.2

If yes, state the amount thereof at December 31 of the current year:

.....

24.

Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X] No []

24.01

For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
State Street Insurance Services	901 Pennsylvania Kansas City MI 64105
Federal Home Loan Bank of Indianapolis	8250 Woodfield Crossing, Indianapolis IN 46240
Comerica Bank	Institutional Trust, P.O Box 75000, Detroit, MI 48275

24.02

For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

24.03

Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes [] No [X]

24.04

If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

24.05

Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

24.05

1	2	3
Central Registration Depository Number(s)	Name	Address

25.1

Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])?

Yes [X] No []

25.2

If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adj.Carrying Value

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

631100 11 0	Nasdaq 100 Index Fund	34,167,026
722005 62 6	pimco All asset Fund	14,456,830
784621 10 3	SPDR Trust Series	150,221,315
922908 65 2	Vanguard Extended Market Vipers	50,754,296
25.2999. TOTAL		249,599,467

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
Nasdaq 100	Microsoft Corp	2,336,000	12/31/2005
SPDR Trust Series	General Electric	4,942,281	12/31/2005
Vanguard Extended market Index fund	Google Inc	1,268,857	12/31/2005

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds.....	.....3,012,794,949	.....3,016,403,380	.....3,608,431
26.2 Preferred stocks.....	.....1,701,479	.....1,707,123	.....5,644
26.3 Totals.....	.....3,014,496,428	.....3,018,110,503	.....3,614,075

26.4 Describe the sources or methods utilized in determining the fair values:

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X] No []

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?

\$.....4,977,176

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Blue Cross Blue shield Association	4,887,472

29.1 Amount of payments for legal expenses, if any?

\$.....2,473,681

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Dickinson Wright	1,523,437

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$.....364,958

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Karoub Associates	120,000

BLUE CROSS BLUE SHIELD OF MICHIGAN
GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [X] No []

1.2

If yes, indicate premium earned on U.S. business only

\$.....223,682,675

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$.....0

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$.....0

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$.....353,720,981

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$.....223,682,675

1.62

Total incurred claims

\$.....353,720,981

1.63

Number of covered lives

.....219,379

All years prior to most current three years:

1.64

Total premium earned

\$.....0

1.65

Total incurred claims

\$.....0

1.66

Number of covered lives

.....0

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$.....0

1.72

Total incurred claims

\$.....0

1.73

Number of covered lives

.....0

All years prior to most current three years:

1.74

Total premium earned

\$.....0

1.75

Total incurred claims

\$.....0

1.76

Number of covered lives

.....0

2.

Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	.....5,614,912,576	.....5,497,184,314
2.2 Premium Denominator.....	.....5,614,912,576	.....5,497,184,314
2.3 Premium Ratio (2.1/2.2).....	.....100.0	.....100.0
2.4 Reserve Numerator.....	.....1,420,908,165	.....1,153,216,251
2.5 Reserve Denominator.....	.....1,341,236,890	.....1,159,541,830
2.6 Reserve Ratio (2.4/2.5).....	.....105.9	.....99.5

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes [X] No []

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [X] No []

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]

5.2

If no, explain:
Blue Cross Blue Shield of Michigan does not utilize stop-loss reinsurance due to the size and stability of the business and sufficient levels of capitalization

5.3

Maximum retained risk (see instructions):

5.31

Comprehensive medical

\$.....0

5.32

Medical only

\$.....0

5.33

Medicare supplement

\$.....0

5.34

Dental

\$.....0

5.35

Other limited benefit plan

\$.....0

5.36

Other

\$.....0

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Maintain a restricted custodial bank account determined on the basis of a formula set by BCBSA and continuation insurance coverage with Collins and Associates.

7.1

Does the reporting entity set up its claim liability for provider services on a service date base?

Yes [] No [X]

7.2

If no, give details:
Claims liabilities are based on paid/incurred claims triangulation

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

.....36,357

8.2

Number of providers at end of reporting year

.....37,530

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [X] No []

9.2

If yes, direct premium earned:

9.21

Business with the rate guarantees between 15-36 months

\$.....0

9.22

Business with rate guarantees over 36 months

\$.....0

10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts?

Yes [X] No []

10.2

If yes:

10.21

Maximum amount payable bonuses

\$.....0

10.22

Amount actually paid for year bonuses

\$.....6,964,532

10.23

Maximum amount payable withholds

\$.....7,964,529

10.24

Amount actually paid for year withholds

\$.....0

11.1

Is the reporting entity organized as:

11.12

A Medical Group/Staff Model,

Yes [] No [X]

BLUE CROSS BLUE SHIELD OF MICHIGAN

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 11.13 An Individual Practice Association (IPA), or

11.14 A Mixed Model (combination of above)?
- Yes []

No [X]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes []

No [X]
- 11.3 If yes, show the name of the state requiring such net worth.

Yes []

No [X]
- 11.4 If yes, show the amount required.

.....
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes []

No [X]
- 11.6 If the amount is calculated, show the calculation:

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Michigan

BLUE CROSS BLUE SHIELD OF MICHIGAN
FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26).....	4,846,088,978	4,323,733,105	4,256,344,275	3,823,581,501	3,123,075,925
2. Total liabilities (Page 3, Line 22).....	2,385,068,109	2,080,025,393	2,358,220,996	2,291,231,819	1,822,506,925
3. Statutory surplus.....	2,461,020,869	2,243,707,712	1,898,123,279	1,532,349,682	1,300,569,000
4. Total capital and surplus (Page 3, Line 31).....	2,461,020,869	2,243,707,712	1,898,123,279	1,532,349,682	1,300,569,000
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	5,523,155,022	5,518,400,812	5,554,674,204	5,287,341,438	4,874,622,864
6. Total medical and hospital expenses (Line 18).....	4,764,024,261	4,741,767,141	4,784,056,750	4,603,132,705	4,382,989,985
7. Claims adjustment expenses (Line 20).....	162,363,543	146,094,381	140,978,497	143,276,612	
8. Total administrative expenses (Line 21).....	382,867,090	334,178,455	362,475,685	455,198,242	369,505,007
9. Net underwriting gain (loss) (Line 24).....	104,500,128	168,860,835	232,163,272	85,733,879	(12,763,542)
10. Net investment gain (loss) (Line 27).....	145,840,683	169,584,382	91,865,207	85,222,156	95,627,883
11. Total other income (Lines 28 plus 29).....	12,790,186	37,392,858	118,792,295	37,774,108	(18,999,569)
12. Net income or (loss) (Line 32).....	193,004,312	238,811,712	374,497,394	161,382,896	56,161,250
Risk-Based Capital Analysis					
13. Total adjusted capital.....	2,461,020,869	2,243,707,712	1,898,123,279	1,532,349,682	1,300,569,000
14. Authorized control level risk-based capital.....	276,012,909	282,994,740	299,806,439	267,570,296	263,837,065
Enrollment (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7).....	2,540,301	2,621,892	2,698,830	2,659,983	2,648,278
16. Total member months (Column 6, Line 7).....	30,862,149	31,590,818	35,468,309	32,511,278	31,795,355
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Line 18 plus Line 19)....	86.3	85.9	86.1	87.1	89.8
19. Cost containment expenses.....	0.8	0.9	XXX	XXX	XXX
20. Other claims adjustment expenses.....	2.1	2.6			
21. Total underwriting deductions (Line 23).....	98.1	96.9	95.8	98.4	100.1
22. Total underwriting gain (loss) (Line 24).....	1.9	3.1	4.2	1.6	(0.3)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13 Col. 5).....	458,613,882	482,601,216	518,953,914	533,853,556	728,002,716
24. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	481,433,976	576,481,245	567,360,979	637,430,199	1,201,642,568
Investments in Parent, Subsidiaries and Affiliates					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1).....					
26. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1).....					
27. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2).....	920,545,469	839,255,522	695,666,322	593,825,933	510,210,515
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11).....					
29. Affiliated mortgage loans on real estate.....					
30. All other affiliated.....					
31. Total of above Lines 25 to 30.....	920,545,469	839,255,522	695,666,322	593,825,933	510,210,515

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States.....	609,822,460	612,435,866	604,600,354	582,875,988
	2. Canada.....				
	3. Other Countries.....	200,000	200,000	200,000	200,000
	4. Totals.....	610,022,460	612,635,866	604,800,354	583,075,988
States, Territories and Possessions (Direct and guaranteed)	5. United States.....				
	6. Canada.....				
	7. Other Countries.....				
	8. Totals.....	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....				
	10. Canada.....				
	11. Other Countries.....				
	12. Totals.....	0	0	0	0
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....	1,052,079,027	1,050,614,589	1,052,108,838	1,052,075,529
	14. Canada.....				
	15. Other Countries.....				
	16. Totals.....	1,052,079,027	1,050,614,589	1,052,108,838	1,052,075,529
Public Utilities (Unaffiliated)	17. United States.....				
	18. Canada.....				
	19. Other Countries.....				
	20. Totals.....	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....	892,718,473	890,052,337	897,195,582	885,147,172
	22. Canada.....				
	23. Other Countries.....				
	24. Totals.....	892,718,473	890,052,337	897,195,582	885,147,172
Parent, Subsidiaries and Affiliates	25. Totals.....				
	26. Total Bonds.....	2,554,819,960	2,553,302,792	2,554,104,774	2,520,298,689
PREFERRED STOCKS Public Utilities (Unaffiliated)	27. United States.....				
	28. Canada.....				
	29. Other Countries.....				
	30. Totals.....	0	0	0	
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....	1,426,000	1,426,000	1,426,000	
	32. Canada.....				
	33. Other Countries.....				
	34. Totals.....	1,426,000	1,426,000	1,426,000	
Industrial and Miscellaneous (Unaffiliated)	35. United States.....	275,479	281,123	277,792	
	36. Canada.....				
	37. Other Countries.....				
	38. Totals.....	275,479	281,123	277,792	
Parent, Subsidiaries and Affiliates	39. Totals.....				
	40. Total Preferred Stocks.....	1,701,479	1,707,123	1,703,792	
COMMON STOCKS Public Utilities (Unaffiliated)	41. United States.....				
	42. Canada.....				
	43. Other Countries.....				
	44. Totals.....	0	0	0	
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....	14,260	14,260	14,260	
	46. Canada.....				
	47. Other Countries.....				
	48. Totals.....	14,260	14,260	14,260	
Industrial and Miscellaneous (Unaffiliated)	49. United States.....	265,823,833	265,823,833	247,336,770	
	50. Canada.....				
	51. Other Countries.....				
	52. Totals.....	265,823,833	265,823,833	247,336,770	
Parent, Subsidiaries and Affiliates	53. Totals.....	920,545,469	920,545,469	301,935,069	
	54. Total Common Stocks.....	1,186,383,562	1,186,383,562	549,286,099	
	55. Total Stocks.....	1,188,085,041	1,188,090,685	550,989,891	
	56. Total Bonds and Stocks....	3,742,905,001	3,741,393,477	3,105,094,665	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	3,372,616,945	7. Amortization of premium.....	13,136,564
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	6,619,921,954	8. Foreign exchange adjustment:	
3. Accrual of discount.....	1,113,633	8.1 Column 15, Part 1.....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1.....	
4.1 Columns 12 - 14, Part 1.....	(3,608,431)	8.3 Column 16, Part 2, Section 2.....	
4.2 Columns 15 - 17, Part 2, Section 1.....	(5,644)	8.4 Column 15, Part 4.....	0
4.3 Column 15, Part 2, Section 2.....	107,708,563	9. Book/adjusted carrying value at end of current period.....	3,742,905,001
4.4 Columns 11 - 13, Part 4.....	(11,130,940)	10. Total valuation allowance.....	
5. Total gain (loss), Column 19, Part 4.....	(20,123,599)	11. Subtotal (Lines 9 plus 10).....	3,742,905,001
6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4....	6,310,450,915	12. Total nonadmitted amounts.....	39,522,623
		13. Statement value of bonds and stocks, current year.....	3,703,382,378

BLUE CROSS BLUE SHIELD OF MICHIGAN
SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	2	Direct Business Only					
				3	4	5	6	7	8
State, Etc.		Guaranty Fund (YES or NO)	Is Insurer Licensed? (YES or NO)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Deposit-Type Contract Funds	Property/ Casualty Premiums
1.	Alabama.....AL	..NO	..NO						
2.	Alaska.....AK	..NO	..NO						
3.	Arizona.....AZ	..NO	..NO						
4.	Arkansas.....AR	..NO	..NO						
5.	California.....CA	..NO	..NO						
6.	Colorado.....CO	..NO	..NO						
7.	Connecticut.....CT	..NO	..NO						
8.	Delaware.....DE	..NO	..NO						
9.	District of Columbia.....DC	..NO	..NO						
10.	Florida.....FL	..NO	..NO						
11.	Georgia.....GA	..NO	..NO						
12.	Hawaii.....HI	..NO	..NO						
13.	Idaho.....ID	..NO	..NO						
14.	Illinois.....IL	..NO	..NO						
15.	Indiana.....IN	..NO	..NO						
16.	Iowa.....IA	..NO	..NO						
17.	Kansas.....KS	..NO	..NO						
18.	Kentucky.....KY	..NO	..NO						
19.	Louisiana.....LA	..NO	..NO						
20.	Maine.....ME	..NO	..NO						
21.	Maryland.....MD	..NO	..NO						
22.	Massachusetts.....MA	..NO	..NO						
23.	Michigan.....MI	..NO	..YES	.....5,380,517,261	.....7,047,468		.....227,347,847		
24.	Minnesota.....MN	..NO	..NO						
25.	Mississippi.....MS	..NO	..NO						
26.	Missouri.....MO	..NO	..NO						
27.	Montana.....MT	..NO	..NO						
28.	Nebraska.....NE	..NO	..NO						
29.	Nevada.....NV	..NO	..NO						
30.	New Hampshire.....NH	..NO	..NO						
31.	New Jersey.....NJ	..NO	..NO						
32.	New Mexico.....NM	..NO	..NO						
33.	New York.....NY	..NO	..NO						
34.	North Carolina.....NC	..NO	..NO						
35.	North Dakota.....ND	..NO	..NO						
36.	Ohio.....OH	..NO	..NO						
37.	Oklahoma.....OK	..NO	..NO						
38.	Oregon.....OR	..NO	..NO						
39.	Pennsylvania.....PA	..NO	..NO						
40.	Rhode Island.....RI	..NO	..NO						
41.	South Carolina.....SC	..NO	..NO						
42.	South Dakota.....SD	..NO	..NO						
43.	Tennessee.....TN	..NO	..NO						
44.	Texas.....TX	..NO	..NO						
45.	Utah.....UT	..NO	..NO						
46.	Vermont.....VT	..NO	..NO						
47.	Virginia.....VA	..NO	..NO						
48.	Washington.....WA	..NO	..NO						
49.	West Virginia.....WV	..NO	..NO						
50.	Wisconsin.....WI	..NO	..NO						
51.	Wyoming.....WY	..NO	..NO						
52.	American Samoa.....AS	..NO	..NO						
53.	Guam.....GU	..NO	..NO						
54.	Puerto Rico.....PR	..NO	..NO						
55.	U.S. Virgin Islands.....VI	..NO	..NO						
56.	Canada.....CN	..NO	..NO						
57.	Aggregate Other alien.....OT	..XXX	..XXX	.....0	.....0	.....0	.....0	.....0	.....0
58.	Subtotal.....	..XXX	..XXX	.....5,380,517,261	.....7,047,468	.....0	.....227,347,847	.....0	.....0
59.	Reporting entity contributions for Employee Benefit Plans.....	..XXX	..XXX	.....74,578,467				.....0	.....0
60.	Total (Direct Business).....	..XXX	(a).....1	.....5,455,095,728	.....7,047,468	.....0	.....227,347,847	.....0	.....0

DETAILS OF WRITE-INS

5701.	.....						
5702.	.....						
5703.	.....						
5798.	Summary of remaining write-ins for line 57 from overflow page.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0
5799.	Total (Lines 5701 thru 5703 plus 5798) (Line 57 above).....	.....0	.....0	.....0	.....0	.....0	.....0	.....0

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE T - PART 2

INTERSTATE COMPACT PRODUCTS - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

			Direct Business Only					
			1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	6 Totals
States, Etc.								
1.	Alabama.....	AL						.....0
2.	Alaska.....	AK						.....0
3.	Arizona.....	AZ						.....0
4.	Arkansas.....	AR						.....0
5.	California.....	CA						.....0
6.	Colorado.....	CO						.....0
7.	Connecticut.....	CT						.....0
8.	Delaware.....	DE						.....0
9.	District of Columbia.....	DC						.....0
10.	Florida.....	FL						.....0
11.	Georgia.....	GA						.....0
12.	Hawaii.....	HI						.....0
13.	Idaho.....	ID						.....0
14.	Illinois.....	IL						.....0
15.	Indiana.....	IN						.....0
16.	Iowa.....	IA						.....0
17.	Kansas.....	KS						.....0
18.	Kentucky.....	KY						.....0
19.	Louisiana.....	LA						.....0
20.	Maine.....	ME						.....0
21.	Maryland.....	MD						.....0
22.	Massachusetts.....	MA						.....0
23.	Michigan.....	MI						.....0
24.	Minnesota.....	MN						.....0
25.	Mississippi.....	MS						.....0
26.	Missouri.....	MO						.....0
27.	Montana.....	MT						.....0
28.	Nebraska.....	NE						.....0
29.	Nevada.....	NV						.....0
30.	New Hampshire.....	NH						.....0
31.	New Jersey.....	NJ						.....0
32.	New Mexico.....	NM						.....0
33.	New York.....	NY						.....0
34.	North Carolina.....	NC						.....0
35.	North Dakota.....	ND						.....0
36.	Ohio.....	OH						.....0
37.	Oklahoma.....	OK						.....0
38.	Oregon.....	OR						.....0
39.	Pennsylvania.....	PA						.....0
40.	Rhode Island.....	RI						.....0
41.	South Carolina.....	SC						.....0
42.	South Dakota.....	SD						.....0
43.	Tennessee.....	TN						.....0
44.	Texas.....	TX						.....0
45.	Utah.....	UT						.....0
46.	Vermont.....	VT						.....0
47.	Virginia.....	VA						.....0
48.	Washington.....	WA						.....0
49.	West Virginia.....	WV						.....0
50.	Wisconsin.....	WI						.....0
51.	Wyoming.....	WY						.....0
52.	American Samoa.....	AS						.....0
53.	Guam.....	GU						.....0
54.	Puerto Rico.....	PR						.....0
55.	US Virgin Islands.....	VI						.....0
56.	Canada.....	CN						.....0
57.	Aggregate Other Alien.....	OT						.....0
58.	Totals.....		0	0	0	0	0	0

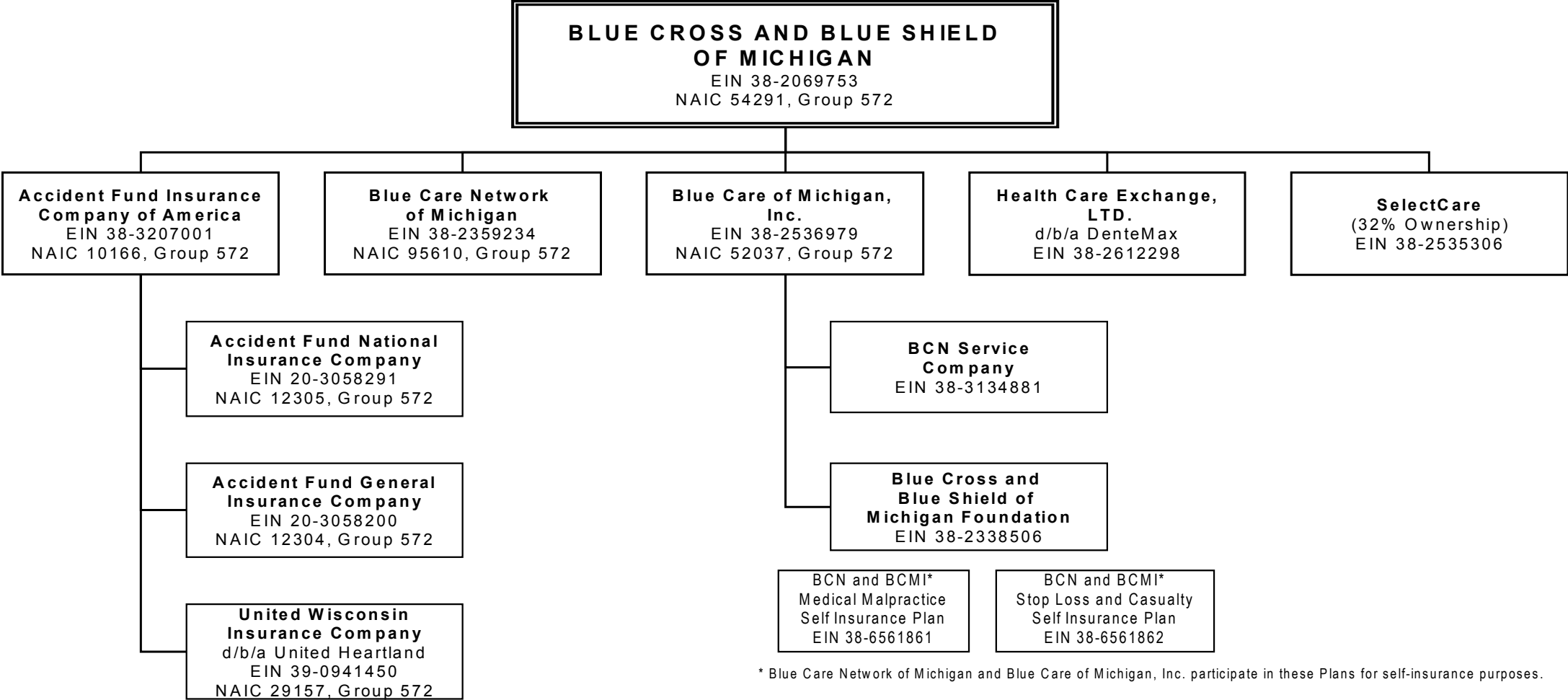
NONE

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



A nonprofit corporation and independent licensee
of the Blue Cross and Blue Shield Association

SUBSIDIARY & AFFILIATE ORGANIZATION CHART



* Blue Care Network of Michigan and Blue Care of Michigan, Inc. participate in these Plans for self-insurance purposes.